AN ANALYSIS OF THE POLICY-MAKING PROCESS OF THE NATIONAL HEALTH INSURANCE SCHEME IN THE REPUBLIC OF KOREA

HUNJIN KIM

Ph.D.

THE UNIVERSITY OF EDINBURGH

2003

TABLE OF CONTENTS

ABSTRACT

This thesis focuses on the policy-making process of the National Health Insurance scheme (NHI) in the Republic of Korea (Korea). The analysis of the policy process of the Korean NHI scheme also makes it possible to observe the development of social policy in Korea.

Health care in Korea was basically provided through the market until the implementation of the NHI scheme in 1977. The health care programme was initially introduced for a restricted section of the workforce, but gradually the programme was expanded to cover the entire population. The study addresses the questions of why and how has the NHI scheme developed.

The policy-making process of the NHI scheme in Korea can be explained better by socio-political elements than by economic factors. Policy-making in the 1960s and 1970s was carried out by a limited number of policy-makers within a confined policy-making institution. At the beginning of the 1980s, however, the government pursued a more explicit strategy of reform. Since then, the range of the participants embedded in the policy-making arena has gradually become diverse and complex. As democratic processes became stronger, the policy-making structure became dynamically transformed, and power in the process was distributed among various social actors in the society. The economic crisis at the end of the 1990s had a significant impact on the style and structure of policy-making. There was a greater involvement of civic and interest groups in the policy-making process, and the government was less able to take any unilateral policy decisions.

The policy-making process of the NHI scheme over the past four decades led to the development of the reformist and anti-reformist groups, and these groups contributed to building ideological foundations not only for the NHI development but also for social policy development in Korea. Two distinctive features were identified as one of the many by-products created by the NHI policy process. First, the policy-making style in the health care policy developed from 'authoritarian leadership' to 'pluralist and corporatist styles'; second, citizenship has been developed in the society and has influenced the policy-making process.

ACKNOWLEDGEMENTS

I owe a special debt of gratitude to my two supervisors, Professor Adrian Sinfield and Mr. Richard Parry. For the past five years, they have not only encouraged me to widen my horizons with regard to a broader aspect of social policy and politics but they have also provided me with invaluable morale support throughout the years of my academic growth and development in Edinburgh. They have always been willing to share their academic expertise with me as well as listening to my illogical arguments. Without their sincere commitment to me and to my goals, I could not have completed this thesis. In addition, I have to express deep acknowledgement to the Sinfield family (Dorothy and Laura). Their consistent belief in me and their morale support always encouraged me whenever I felt blue.

I am also very grateful to my teachers in the School of Social Work at Norfolk State University in Virginia. Dr. Dong-Soo Kim and Dr. Hannah Paik guided me towards a career interest in the field of social services and encouraged me to take up the challenge of advanced studies in social policy. In addition, I would like to express appreciation to my community organization teacher, Mr. Theodore Burke, who saved me many times whenever I faced difficulties. His enthusiasm for community organization further whetted my interest in social policy.

Most of all, Miss Dawnelle Cruze taught me a professional knowledge of the clinical side of social work as my field supervisor at the American Red Cross. She also provided me enormous support in many other ways. Without her endless support, I could not have been standing here.

In my department of social policy here at the University of Edinburgh, I would like to share gratitude with some of my friends: Cameron Paton, Debbie Headrick and Sarah Wilson. In particular, I have to send special thanks to Cameron Smith, Shiona Hood, Una Bartely and Danny McShane who were always with me whenever I urgently needed their help. Sincere friendships also extended to my Korean friends at George Square: Dr. Hee-Cheol Yoon, Eun-Mi Park, Weon-Hee Yun, Hee-Kyung Choi, Ki-Heung Kim, Jin-Sang Hwang and Ha-Yeon Cho. We

sometimes encouraged and supported each other in our academic pursuits, and we sometimes shared our concerns with each other regarding the future of our country.

My deepest gratitude must be extended to my family and to my family-in-law. I owe an enormous debt of gratitude to my parents and parents-in-law who have always believed in me and in my capability for success in this endeavor. I am also grateful to my sisters and brothers-in-law. I haven't been a good brother to them during these last several years.

Most importantly, my greatest debt of appreciation goes to my wife, Ji-Young. Due to my long period of study abroad, she willingly made many sacrifices. She took full responsibility instead of this irresponsible husband. Her consistent support always engendered stimulation in completing this research work. "I love you honey."

AUTHOR'S DECLARATION

This thesis is my own work. And the thesis has not been submitted for any other degree or professional qualification.

Hunjin Kim

LIST OF TABLES AND FIGURES

ABBREVIATIONS

AMG	American Military Government
BPPU	Board for Promoting and Planning the Unified NHI Scheme
CFMIS	Central Federation of Medical Insurance Societies
CoHSA	Committee of Health and Social Affairs
CoHW	Committee of Health and Welfare
CoPG	Committee for Promoting Globalisation
CoPS	Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI Scheme
CoSSS	Committee of Social Security System
DJP	Democratic Justice Party
DKP	Democratic Korea Party
DLP	Democratic Liberal Party
DP	Democratic Party
DRG	Diagnosis Related Group
DRP	Democratic Republican Party
EPB	Economic Planning Board
EPBSS	Evaluating and Planning Board of Social Security
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
GATT	General Agreement on Tariffs and Trade
GNP	Grand National Party
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
KCCI	Korean Chamber of Commerce and Industry
KCTU	Korean Confederation of Trade Unions
KDI	Korea Development Institute
KEF	Korean Employers Federation
KFSMB	Korean Federation of Small and Medium Business
KHA	Korean Hospital Association
KIHSA	Korea Institute for Health and Social Affairs
KIPH	Korea Institute for Population and Health
KMA	Korean Medical Association
KMIC	Korea Medical Insurance Corporation for Employees in Government and Private Schools
KNP	New Korean Party
KPA	Korean Pharmacist Association
KFTA	Korean Foreign Trade Association
MoHSA	Ministry of Health and Social Affairs
MoHW	Ministry of Health and Welfare
MoL	Ministry of Labour
NAMI	National Association of Medical Insurance
NCCMI	National Committee for Countermeasure for Medical Insurance
NCMIS	National Conference of Medical Insurance Societies
NCNP	National Congress for New Politics Party

NCPS	National Conference for Preventing the Salaried from Over-paying Contributions and for Social Insurance Reform
NDRP	New Democratic Republican Party
NFFU	National Federation of Farmers Unions
NFMI	National Federation of Medical Insurance
NGO	Non Governmental Organisation
NHI	National Health Insurance
NHIC	National Health Insurance Corporation
NHS	National Health Service
NKP	New Korean Party
NP	National Pension
NSO	National Statistical Office
NWPB	National Welfare Planning Board
OECD	Organisation for Economic Co-operation and Development
PPD	Party for Peace and Democracy
PSPD	People's Solidarity for Participating Democracy
RDP	Reunification and Democratic Party
SCCMW	Special Committee for Countermeasures for Medical and Water Issues in Farming and Fishery Areas
SCDFF	Special Committee for Developing Farming and Fishery Areas
SCHR	Special Committee for Health Reform
SCHSR	Special Committee for Health Security Reform
SCNR	Supreme Council for National Reconstruction
SPHR	Solidarity for People's Health as a Right
SSC	Social Security Committee
SSDC	Social Security Deliberating Committee
TFESSDD	Task Force for the Establishment of Social Security Development Directions
ULD	United Liberal Democrats Party

CHAPTER 1. INTRODUCTION

I. Introduction to the Study

This thesis discusses the development of a national health care system and its relevant policies in the Republic of Korea (henceforth referred to as Korea). The National Health Insurance program (henceforth referred to as NHI) has come to fruition in the context of national economic growth and the political development of the country. It has survived despite the fact that it developed in a piecemeal fashion under the direction of various, fragmented political administrations. Since the first medical insurance law was legislated in 1963, Korea has undergone a political transformation from authoritarian to democratic rule that has significantly influenced the style and the outcome of policy-making.

Reform was initially undertaken in the government not only to universalise the coverage of the scheme but also to integrate fragmented benefit levels and financing under separate medical insurance systems. During the reforming process, the mode of the policy-making process varied according to the different political contexts of the changing regimes. The more democratised that the country became, the larger was the number of actors who engaged in the policy-making process and the greater the competition between the political and bureaucratic interests of the participating actors in this policy-making effort.

The thesis details the development of the NHI policy process in association with the history of the socio-political development of the Korean republic. It discusses the political responses of the participants in the policy-making process during the forty-year history of the Korean medical insurance programme. It traces this process from its initial, legislative introduction in 1963 to the adoption of universal coverage in 1989 and then on to the reform legislation of an integrated funding system in 2000. It is possible to trace the important developmental changes in the health-care program through chronological sections as they correspond to the five political regimes that have each put their own distinctive stamp on the national health care system which is providing a universal floor of coverage today.

1.1 Purpose of the Study

Health care policy demands significant and sensitive political determination in order to pursue health care programmes. Because of the participation of a wide range of interests, including medical providers, various levels of government, political institutions, and citizens' groups in the health care policy-making arena, conflict in the political domain among various societal groups is unavoidable.

National health insurance raises points of controversy between political ideologies. It reflects the great divide between liberalism and socialism, and between the free market and the planned economy, as Immergut (1992) points out (p.1). Health care policy provokes acute conflicts among those holding different political and economic ideologies. Medical professions, academic scholars, employers, trade unions, citizens and other interest groups are actively engaged in the policy-making process. In the effort of protecting vested interests, the consideration of national health insurance becomes a highly politicised issue (Immergut, 1992: 1). Even though the results of these conflicts vary, such conflicts are most apparent in the case of Western Europe and North America.

Although there are a number of comparative or single-nation studies regarding the policy-making process of health care policy in Western Europe and North America, the examination of this issue in other regions has not been a popular subject for research and analysis. In recent years, a number of research projects relating to the welfare model of newly industrialised countries [1] – the so-called 'four dragons' of South Korea, Taiwan, Singapore and Hong Kong – have been produced, showing greater interest in Western academia. Nevertheless, these studies have a tendency to generalise the welfare characteristics of the East within the context of Confucianism and conservative ideology produced by broad historical, political and economic developments (Jones, 1993; Jones 1990; Dixon & Kim, 1985) rather than to identify and focus on the particular elements of each country which have influenced its distinctive welfare development. White and Goodman (1998) emphasise that "while they share certain common features, East Asian welfare systems are not homogeneous and one should be cautious about over-simplification;

[1] Commonly referred to as the NICs.

they have serious deficiencies as well as strong points; and they have relied heavily on distinctive social, demographic, political and economic conditions which may not be present elsewhere and are, in any case, under threat in East Asia itself" (p.19).

This research aims to challenge the conventional wisdom that one country's welfare system can be simply explained by one or two common concepts without going into depth regarding the particular welfare development of that country. In this regard, this study concentrates on the formation and maturation of the NHI of Korea. This study gives particular attention to the series of reform movements in the development of health care policy from the beginning of the 1980s until 2000.

Previous studies about Korean social policy written in English have been mainly concerned with the conservative style of the policy-making under authoritarian regimes (Kwon, 1999; Joo, 1999) and have not given as much attention to the political characteristics of the more democratic regimes in recent years. The development of NHI in Korea cannot be understood simply by the interpretation of the traditional values of Confucianism and conservative ideology. This is because any analytic tool based on Confucianism tends to become preoccupied with the conservative and authoritarian aspects, which Confucianism has typically retained. It fails to scrutinise broader and more dynamic aspects which came into being over long periods of socio-political development in the nation. Ever since the birth of the NHI, the country has been ruled by two authoritarian military regimes (those of Park and Chun) and two democratic regimes (the two Kims). In between these two extremely opposing styles of government, there was a transitional regime (Roh). Accordingly, for forty years the Korean NHI has developed not only in size and quality as health care systems tend to, but has also been subject to reform under a notable variety of forms of government.

In the process of political transformation, reformist interest groups have attempted to direct health care policy in a more radical direction. One can raise questions as to how attempts to reform were possible and to some extent how the participation of interest groups in reforming government policy under the authoritarian political system was possible. In general one may investigate the relationship between the political system (first authoritarian, then democratic) and national social policy development. This research explores why and how Korean governments have changed their ideologies and the political direction of NHI policy

since it was legislated in 1963. In particular, the study concentrates on how and why various institutions and interest groups have intervened during the stages of the policy-making process.

1.2 The Significance of the Study

Social policy-making is a series of consecutive interactions among sub-systems which constitute the institutional terrain. The systems continue to deliver their needs and interests in order to carry through the prospective decision making process. Variety in institutional transactions in policy-making in developed countries has been attributed to the different political and socio-economic circumstances that each country has experienced. There has been considerable interest in the research relative to the variety of institutional transactions occurring in the formulation of policy in Western countries over the years (Bonoli, 2000; Moran, 1999; Glied, 1997; Howard, 1997; Immergut, 1992; Heidenheimer et al., 1990) but there is very little literature that investigates this same process as it has unfolded in Korea and other developing countries. Therefore, it has been quite a challenge to undertake the task of recording the development of this process during the last forty years of Korean history.

Regarding the development of social policy in the newly industrialised countries, one can say that most of these countries have adopted social security programmes from the Western developed countries, and Korea is not an exception to this phenomenon. Since the Industrial Accident Insurance scheme was enacted in 1963, National Health Insurance, National Pension and Unemployment Insurance schemes have been consecutively adopted and developed over the last four decades. However, if we ask: "Have the newly industrialised countries been following in the footsteps of the social policy development of Western cultures?," we can see that (at least in the Korean case) social security programmes have shown procedures of initiative and development distinct from those in the West.

Notably, health care policy in Korea demonstrates the particular history and evolution of social policy in Korean politics. It can be said that since NHI was legislated in 1963, its evolution has been directly connected with the particular developmental procedures of socio-economic and political history in Korea. Indeed, if we observe the development of NHI policy-making, we are also able to witness in

detail the history of Korean socio-economic and political development. This is one of the merits of this study and the reason that National Health Insurance was chosen for analysis. Secondly, health care policy in general is one of the most significant social policies. This is because health policy is directly associated with the entire population regardless of age, gender, occupation or income level, and because it is clearly linked to well-being in daily life.

Thirdly, the National Health Insurance scheme is the pivot not only of health care policy but also of the general social policy framework in Korea. Although the medical insurance law was legislated alongside the Industrial Accident Insurance scheme in 1963 and much earlier than any other social insurance programmes, it was actually implemented in 1977. Thereafter, from an economic point of view, the largest portion of the national welfare budget was concentrated in the finance of NHI. From the political perspective, and in comparison to other social insurance programmes, NHI has had the longest evolutionary history and has experienced the most dynamic transformation. This transformation has continued for over forty years and is still going forward. The policy-making process has gone through numerous complicated stages with the participation of a number of interest groups year after year. And through these experiences, NHI has clearly become one of the most controversial issues not only within political and medical institutions but also within the academic and public sectors.

Fourthly, in general, developmental stages of social policy programmes are set within the framework of the political, socio-economic and socio-cultural circumstances of each country. Moreover, different nations have designed their political institutions in different ways and relied on different procedures for representing the various interests. These procedural mechanisms are intertwined with institutionalised relationships among interest groups, parties, and governments that have developed over long periods of time (Immergut, 1992: xii-xiv). This is the reason that a generalised model of policy-making cannot be applied to the policy developments of different nations even though they seem to have shared a common point of departure. By presenting the history of the evolution of the NHI policy-making in Korea, therefore, the study will contribute to building a specific paradigm in social policy-making which will distinguish it from other nations.

Finally, it is important to build an appropriate theoretical framework through

which to explain Korean health care policy. This study will assess whether or not the formation of Korean health care policy can be properly explained through the employment of "foreign-born" policy development theories. The historical context of policy-making procedures in Korea is derived from different component factors of Korean society which may be difficult to explain through the lens of foreign experiences. Therefore, it is hoped that this research will provide valuable and interesting insights in an analysis of the Korean social policy programme by combining both foreign and Korean perspectives.

1.3 The Research Questions

The main intentions of the study are to examine: first, the relationship between the roles and objectives of the participants, and the outcomes in the policy-making process of the National Health Insurance scheme; second, the relationship between the reform procedures of health care policy and the development of citizenship, which would be explained as a by-product of the advance of Korean politics.

In order to explore those main issues, "three key elements" of policy making – the executive, the legislature and the interest groups – are examined. In general, the following questions are asked in relation to these three key elements:

- What has been the role of the three key elements in the development of health care policy?
- What have been the aims/objectives of the three key elements in the policy-making process of the National Health Insurance scheme?
- How has the significance of these roles and objectives changed?

Within the government in particular, the relationship between governmental agencies and the personal contributions of executive leaders during the policy process are scrutinised:

- What agencies have been involved in the policy-making process?
- What have been their aims in the policy process?
- Who has been involved in the policy-making process?
- What has he/she contributed in the policy-making process?

In reference to the economic and political attributes of the nation, the following question is raised:

- How have the economic and political changes transformed social and political priorities in the policy development of the NHI scheme?

Finally, with the results of the questions above, the study tries to explore the relationship between the introduction of citizenship and social rights, and the development of health care policy asking:

- Has democratisation resulted in reform of the National Health Insurance scheme in Korea?
- If so, to what extent has the evolution of citizenship affected the development of health care policy?

1.4 Research Methodology

1.4.1 Case Study

In order to obtain a rounded picture of the situation and to gain a good view of the conditional factors involved with the National Health Insurance scheme of Korea, the case study approach is essential to this research project. The case study has proved to be an attractive way of illustrating and conveying the rich detail of various kinds of events, and it allows a more in-depth analysis of a chosen case. Thus, the case study can throw important light on the analysis of the policy-making process because it enables us to examine the complete set of political processes that determine policy design.

A major strength of case study data collection is the opportunity to use many different sources of evidence. As all sources of evidence are reviewed and analysed together, the findings of the case study are based on the convergence of information gathered from these various resources. Hence, the outcomes in a case study are likely to contain more convincing and accurate results based on these multiple corroborations (Yin, 1994: 90-93). The second advantage of multiple data collection is that different sources of data can fill up lacunae in evidence. Thus, this research methodology can support an increased constructive validity in comparison to a single data collection procedure. For example, since this study approaches events

chronologically, it is in a better position to capture "causal" relationship over time. To investigate those causal sequences during such long time-periods of history, it is not easy for a researcher to trace and collect sufficient and consistent evidence in order to produce convincing findings that match every single causal sequence using a single data collection method. In this case, multiple kinds of data are able to supplement evidence from other sources relative to any specific event.

The third advantage of the case study is its flexibility. This research methodology is able to provide an efficient way of addressing the explanatory tasks of the study and to sufficiently represent the distinctive political circumstances of the introduction of one of the most important social policy schemes of a developing country (Colin, 1993; Rubin et al., 1993). To maximise flexibility, it is crucial to cover a forty-year period for this study. The research project focuses on particular aspects and issues to achieve a detailed and precise account of the policy-making process of a national health care programme. The study also aims at refining knowledge in order to observe patterns and relationships underlying the policy-making process. Thus, it needs to adopt various conceptual angles to explore those issues and relationships.

Finally, it should be noted that this research is a case study of policy development over a forty-year period but concentrating within it on key periods when policy might have gone one way or another.

1.4.2 Data Collection

In order to carry out this case study, the data concerning the policy-making process of the National Health Insurance programme of Korea was obtained by primary and secondary data collection as well as interviews. For the primary and secondary data collections, formal and informal documents as well as archival records were gathered from the ministries of the government, the National Assembly, the political parties and participating interest groups (including civic groups, the Korean Medical Association, medical insurance authorities, enterprises, etc.), government statistics, research articles, and academic dissertations. On the basis of analyses of the primary and secondary data, interviews were also conducted. In addition, newspapers were used as a valuable data source in the data collection process.

The main purpose of interviews in this study was to strengthen the

description by obtaining a "behind-the-scenes" account of the events. This research hinges mainly on the primary and secondary data obtained. However, as may be expected with the political and bureaucratic culture under the authoritarian regimes, there was some obstruction to the collection of written formal or informal data at some points of the research continuum. In order to cover the lacunae, interviews were used as a supplement. For instance, in the 1970s and 1980s – when the authoritarian Korean governments exercised rigid censorship over printed materials – scholars in the academic institutions were strongly controlled by the Academic Tenure Law passed in 1976. This legislation severely restricted their access to them. Thus, there was no opportunity to produce articles for publication (Han, 1999: 186). Furthermore, the closed policy-making system of the government created difficulty in gaining access to documentary sources. According to Han (1999), the secrecy of policy-making in the Korean bureaucracy prevents those involved in decision making from providing written accounts which would have evidenced a political or administrative responsibility. Hence, many government-related materials would either have been classified as confidential or would not have been circulated outside the group of policy makers (p. 186).

Also, under the authoritarian regimes, data were hidden from the public in the same manner and for the same reasons. Fortunately, some of retired policy makers left vital written records which document the activities of the Korean government during this period. However, it was more difficult to get written data for the beginning of the 1980s because the political dialogues about NHI reform were held only in a few extremely restricted political institutions. Neither were political attempts for reform disclosed to the public, nor were they known to those who might have been expected to possess the knowledge. Because of this limitation in data collection, many departmental personnel in the government who should have been privy to this information had very limited access to it, and thus only a few articles testify to the unfolding of events. The articles available at this time were either written by former civil servants or are contained in unpublished government documents.

Interviews were focused particularly on this specific period for comparison. In order to overcome these potential deficiencies in valuable data, the interviews were conducted with ten former direct and indirect policy makers, who were there

during this time period and who were in a position to attest to the events as they actually occurred. Two former Ministers of Health and Social Affairs, a former Vice-Minister of Health and Social Affairs, and a senior government adviser were specially selected to cover this period. A government technical expert of the Kim Dae Jung government contributed to the data collection process. Three activists were chosen to observe a dynamic involvement of civic organisations in the policy-making process during the end of the 1980s and 1990s. A senior journalist in an interest organisation participated in the interview to examine not only the NHI policy process but also the story inside the organisation. In addition, a current high-ranking civil servant was chosen to view the actual policy processes within government. Their names and careers are listed in an appendix, except for three of them (a current high-ranking civil servant and two members of interest groups), who did not wish to have their names revealed. The information provided by these anonymous interviewees was used as reference only for the purpose of analysing the facts, without indicating any positions or organisations to which they belong.

Since the democratisation of Korean politics at the end of the 1980s, however, information and data produced by the government has been more broadly released to the general public through the press and through civic organisations. Thus, the public has had more open access to information regarding policy-making, albeit slowly.

During the data collection process in Korea, some difficulties were faced. One of the obstacles to be overcome was the recruitment of interviewees who were actually involved in the policy-making process during those years. The data collection was undertaken in Korea from May to October 1999. During this period, the radical reform of the NHI scheme significantly impacted on the policy-making arena prior to the general election scheduled in April 2000. Because of the nature of the political climate at the time of data collection and because the reform of the NHI programme was a remarkably sensitive procedure within the political arena, a few candidates refused an interview and a few interviewees did not want to reveal their identities. In particular, high-ranking civil servants in the Korean government rarely wished to reveal their perceptions and experiences with regard to sensitive political matters within their bureaucratic domains. It has simply never been in their tradition. Koo (1985) supports this view:

> A more important reason [why the civil servants rarely wish to disclose their thoughts] may be attributed to a vague fear that one's revelation of the nature of his work during his tenure of office might cause injury to those who were involved in a particular decision and thereby bring about personal wrath and uncertain political consequences from a regime still in power (p.15).

Out of respect for them, I will preserve the anonymity of those who did not want to reveal their names. Other interviewees granted permission for their names to be listed here (see Appendix I).

The second difficulty was the matter of access to data holders. With the status of an ordinary student, it is difficult to approach former or current high-ranking civil servants or other professionals to request that they provide official data or interviews. In the hierarchical culture in Korea, they would have no reason to be willing to become involved with a research project of this nature. Fortunately, I have received enormous support from my father (Professor Kim Young Mo), who has been involved as a government adviser in policy-making for the National Health Insurance scheme from the beginning of the 1980s. He introduced me to former executive policy makers of the government, and he was also able to provide access to key data sources. He attended interviews with me which he was able to arrange because of his position as a former government adviser and a policy actor. His name figures in the thesis as an interviewee and as a principal policy actor during the reform process of the 1980s. On the basis of this initial support, I was able to locate appropriate interviewees with a range of differing perspectives on the policy development by using the 'snowball' method. In addition, the interviews were conducted with semi-structured open-ended questions. During the conduct of these interviews, some invaluable unpublished documents came into my possession from both direct and indirect sources. These documents were supplied to me by interviewees who had either direct or indirect input into the formation of health care policy.

The selection of interviewees was focused on key policy actors and was mainly initiated on the basis of the information earned from literature reviews regarding the event of the time period pertinent to each interviewee. The research literature supplied the names and roles of the candidates who were chosen. Once an

interview was successfully completed, the initial interviewee would sometimes introduce me to yet another important candidate. As often as not, the initial interviewee would actually make the introduction himself. There were some occasions when my father brokered the contact since he had the academic and socio-political connections that were needed to obtain access to certain political figures. The selected candidates were 'movers and shakers' of the time who could give us a 'behind-the-scenes' view of the policy-making process.

Interviewees were questioned according to their particular position and role during the policy-making process. The questions reflected the information collected from the literature review. They were also sometimes drawn from information that had been garnered during a previous interview. Thus, there was some flexibility in every interrogative process that took the interviewee's specific status and role into account (see Appendix II). The interview structure, then, was quite open and the direction of the questioning was tailored to suit the story or area that the interviewee represented. A general question was asked at the beginning of the interview and the range of questions narrowed as the story unfolded and became more interesting and more valuable.

While the primary data sources (government documents, organisation documents, archives and newspaper articles) were important to the compilation of the materials that were used in this thesis, the secondary data sources were also essential and invaluable to a complete examination of the issues raised. In particular, the books written by two former members [Choi (1991) and Sohn (1981)] of the Social Security Committee (SSC), research articles of a former civil servant [Cha (1992, 1996)] and the autobiographies written by two former bureaucrats [Kim (1985) and Moon (1999)] provided the story of the policy process made behind closed doors.

Overall, in Chapter 3, I relied mainly on the accounts recorded by Choi and Sohn. In Chapter 4, articles written by Cha and interviews with several other policy-makers who influenced these events were most useful. In Chapter 5, a wider range of data sources was employed: especially, newspapers, interviews, organisation journals, secondary research articles, and Moon's autobiography. For Chapters 6 and 7, government and organisation documents as well as newspapers supplied the majority of the data sources used to analyse the case studies.

1.5 Overview of the Chapters

Chapter 1 introduces the basic concept of the thesis through demonstrating the purpose, significance, research questions and methodology of the study. In addition, the general picture of health care development in Korea is described to assist the understanding of medical professions and its sphere in Korea.

Chapter 2 presents the theoretical frames which are adopted to analyse the medical insurance development in Korea. This framework is outlined by two broad divisions of theoretical perspectives: *social policy development* and *policy-making*. In this chapter, the concept of theoretical approaches related to each division is introduced and evaluated to testify to their relevance to the medical insurance development of Korea.

Chapter 3 considers the initial stage of health care policy development under the authoritarian Park regime, mainly covering the time periods of the 1960s and 1970s. This chapter scrutinises why and how the medical insurance programme was launched in the country.

Chapter 4 considers the first reform movement of the NHI scheme, which occurred in the first half of the 1980s (from 1980 to 1983). This chapter discusses two significant matters: who attempted the reform and why he/she did, and how the efforts developed in the political arena.

Chapter 5 seeks to explain the policy-making in the second reform movement which occurred from 1986 to 1989. In order to provide an appropriate analysis regarding the second attempt at medical insurance reform, this chapter looks at an aspect linked with the context of political democratisation in the mid-1980s.

Chapter 6 considers the development of the political agenda in the health care policy of the Roh Tae Woo and Kim Young Sam governments (from 1990 to 1997) after the failure of the second reform movement. This chapter focuses particularly on how the political and social changes derived from the democratic movement transformed into the health care policy process in the political and social sectors. In addition, the question is extended to observe how interest groups were involved in the policy process.

Chapter 7 considers the reforming process of the NHI scheme related to the economic crisis at the end of the 1990s (from 1997 to 2000). This chapter, in

general, attempts to discover the relationship between the economic crisis and the medical insurance reform, and in particular will also trace the extent to which the societal changes made the reform under the economic crisis possible.

The concluding chapter discusses the applications of theoretical perspectives to the nature of the policy-making process of the Korean NHI scheme. Furthermore, the implications for the development of Korean health care policy are considered on the basis of the analysis of the policy process.

II. Introduction to the Nation of Korea

1.6 Historical Background

Throughout the majority of the 2,200 years of its history as a distinct nation, Korea maintained its status as a 'hermit kingdom' in East Asia. While China and Japan were coping with the Western forces that were to bring societies of the region into the 'modern' world, Korea upheld a strong sense of its racial, linguistic and cultural homogeneity in a well-defined territory which was administered by a centralised bureaucracy under orthodox Confucianism (Deuchler, 1977: 1-2). Korea kept its doors firmly barred against foreign countries until 1876, when Japan forced it to open those doors. This began its initial foray into the acceptance of modern Western cultures as well as of the colonisation of Korea by the Japanese imperial power.

At the end of the Second World War – although Korea obtained liberation from the Japanese annexation – Cold War ideology immediately influenced the creation of two significant events on the Korean peninsula: the Korean War and the subsequent division of Korea. The ideological conflicts between communism and anti-communism resulted in the dividing of the territory between North Korea, which was supported by the communist Soviet Union, and South Korea, which was supported by the United States.

After its liberation from Japanese annexation, the First Republic of Korea led by President Rhee (1948-1960) was established on the basis of a democratic political system. However, it also possessed the attributes of an authoritarian-style administration, with astute manipulation of political factions as well as the suppression of outright opposition (Han 1999: 29). Rhee's autocratic style of leadership eventually precipitated a political crisis. On April 19 1961, across the nation, the protests of students and professors undermined the political power of

President Rhee and his 'Liberty Party.' As a result, the first successful democratic revolution in Korean history brought about the forced stepping down of President Rhee and his cabinet.

A democratic government was formed under the leadership of Chang Myun. However, he inherited an ill-managed economy and failed to provide leadership in satisfying expectations and demands for economic improvements and political democracy. The continuing economic difficulties of political instability caused a military coup on May 16 1961.

1.7 The Transformation of Social Structure

Since the modernisation[2] began at the end of the nineteenth century, Korean society has been enormously influenced by Western values and has rapidly been transformed – socially, politically and economically. These swift contextual changes helped to restructure the social composition of the country. These societal impacts can be summarised in four historical events:

- Land reform carried out by the American Military Government (AMG) and Korean authorities.
- An influx of refugees from North Korea after the liberation from the Japanese annexation and during the Korean War.
- The change of family structure during the industrialisation.
- The increase in the ageing population because of the development of medical technology.

Firstly, land reform was carried out between 1945 and 1950 by the AMG and Korean authorities to redistribute all land held by the Japanese. The Korean government legislated the Agrarian Reform Law to pursue land restructuring in 1949. After this land reform, the percentage of tenants in the farming population declined from 48.9% to 7% by 1965. The amount of land farmed by tenants fell

[2] The modernisation in Korea refers to 'Westernisation.' Since opening the door of the country, Western culture has rushed into the country. In the beginning, Westernisation was led by missionaries. However, the Japanese and U.S. governments widely spread Western systems to Korea through the periods of Japanese annexation and the U.S. military government. The Western impact demanded cultural and systematic changes in many parts of the society. After the Second World War and Korean War, American influences became stronger in the society. Finally, Americanisation has become almost a synonym for modernisation or Westernisation in Korea.

from about 60% to 15% in the same period (Kang, 1992: 114-116).

Secondly, Japanese annexation and the Korean War displaced a large number of Koreans who became refugees. Consequently, after the Korean War, there was an enormous influx of refugees and repatriated people from North Korea, Manchuria and China as well as Japan and from other localities where many Koreans were forced to serve the Japanese as either soldiers or labourers (Oh, 1999: 25).[3] They created their own settlements and communities without social and cultural ties in a new place. These groups in particular were vulnerably exposed to serious social problems such as starvation.

Thirdly, industrialisation has produced tremendous changes in the traditional family structure. In rural areas, a large number of the younger population abandoned farming altogether and relocated in urban areas. This phenomenon has contributed to the disruption of agrarian society and industry, and has generated long-term social problems. Thus, the transformation of traditional family and community structure has created a new version of family composition – commonly referred to as the 'nuclear family structure' – across the whole of Korea.

Table 1-1 Size of the Agricultural Population, South Korea 1960-1980

(Unit: '000, %)

	Population			Annual Avg. Increasing Ratio(%)	
	1960	**1970**	**1980**	**1960-70**	**1970-80**
Total Population(A)	24,989	31,434	37,436	2.29	1.76
Urban Population	8,947	15,652	24,875	5.59	4.74
Agricultural Population(B)	16,042	15,782	12,561	-0.16	-2.26
Ratio of Agricultural Population(B/A)	64.2	50.2	33.6	0.00	-3.07

Source: Chun, K.H. (1985) p. 364.
Note: 'Urban population' indicates the population living in a city and administrative district where the population numbers over 20,000.

[3] According to Oh (1999), the South Korean population in August 1945 was slightly over 16 million. However, it rapidly increased to over 19 million by September 1946 and to 21 million in 1947 (p.25).

Fourthly, rapid economic growth through successful economic performance has helped to bring about an increase in the qualitative and quantitative levels of education and experience among medical professionals, and has also allowed for the development of the related technology which is so necessary for the advancement of quality medical care. As a result, the average life span for the population has gradually been increasing such that the size of the ageing population has become a concern of society and of those who craft the government's health care policies.

1.8 Confucianism and Korean Society

Confucian tradition has strongly influenced the socio-economic development, nation-building, social stability, political structure and the formation of cultural identity in Korea as well as in other parts of East Asia. This ideological resource was a spiritual pivot of state leadership as well as a cultural basis of community. Tu Weiming (2000) emphasises that "East Asian modernity under the influence of Confucian traditions presents a coherent social vision with at least six salient features" (pp.205-206):

- Government leadership in a market economy.
- Organic solidarity resulting from humane rites of interaction.
- The Family as the basic unit of society.
- A civil society, which draws its inner strength from the dynamic interplay between the family and the state.
- Education.
- Self-cultivation as the common root of the regulation of the family, of governance through the state and from the stability provided by peace.

Confucianism has been the foundation of social and political attitudes. Because hierarchy and authority are the main tenets of Confucian thought, they have penetrated the ideology of the ruling and administrative sectors of society. Accordingly, the Korean style of the governmental bureaucracy has been notable for its strong and dominating leadership. It has remained a spontaneous by-product of this particular ideology within Korean society. Kim and Kim (1997) have defined two noteworthy factors by which Korean political culture has been affected: first,

"Confucian hierarchical subordination," which implies a high sensitivity to authority-support in socio-political life; second, "a high degree of cultural homogeneity," which has tended to inhibit not only the fragmentation of power but also the diversification of group political interests (p.64). These two ideological norms contributed fundamentally to the formation of the political structure of Korean bureaucracy. Oh (1999) describes Confucian influence in Korea thus:

> The key legacies of Confucianism in Korea were authoritarian, paternalistic, and family-centred, legacies that are visible in that country today. Most Koreans still look to their leader, the president, for key decisions and Korean chief executives have played extraordinarily defining roles in Korean politics and government. Family ties in Korea still constitute the central element in the lives of Koreans and their organisations, particularly in the economic sector, where family-owned and -operated conglomerates predominate (pp.13-14).

Consequently, Confucian doctrine produced an elite, ruling class known as *Yangban*. In Korean society, Yangban comprised a literati group which constituted the dominant social class of the *Chosun* dynasty. They attained a monopoly on prestige, power and wealth (Oh, 1999: 10). Their tradition embodied socio-political formalities of ceremony, rites, ranks, and hierarchical structures. As the Yangban occupied civil and military sides of the government, this class tradition provided for the fundamental formation of a new version of ruling elitism in Korean society and bureaucracy. Thus, Confucian principles as the official creed of government consolidated the power base of the Korean ruling elites, securing a highly centralised authoritarian bureaucracy (Kim & Kim, 1997: 65).

1.9 Socio-Economic Development in Korea

Industrial modernisation in Korea began with the military junta of Park Chung Hee that took over state power through a military coup d'état on May 16 1961. After the military leaders gained control of the government, the military junta and the leader established that the primary concern of the coup was the achievement of economic revolution which would lead to a "liberation from poverty."

The military government aimed at export-oriented industrialisation for the purpose of rapid economic development, and it embarked on a five-year plan which

would push forward this economic agenda. Accordingly, the focus of the export-oriented plan gradually moved from light industry to heavy and chemical industry. These processes collectively caused the industrial structure to accumulate severe imbalances between: ① rural agriculture and urban manufacturing industry; ② heavy chemical and light industry; and ③ big and small-medium size enterprise. This economic development approach restructured the pattern of daily life of urban workers and farmers as well as the labour market system in urban and rural areas. This restructuring provoked complaints and challenges from the labour workers and the farmers to the authoritarian-military government.

Since the mid-1960s, the government marginalised demands and the rights of labour groups as part of their strategy for export-oriented economic growth. The trade unions were completely excluded from participation in any policy-making activities by an exclusionary and oppressive labour policy. In particular, under the *Yu-Shin* regime of the Park government in the 1970s, the degree of suppression and control over labour became harsher (Shin, 1990: 18). Ultimately, during the entire decade of the 1970s, the government institutionally blocked the power of organised labour through special legislation. The Park regime did not allow the trade unions to become political partners at all. The activity of trade unions was condoned only within a limited enterprise sector.[4]

During export-oriented industrialisation, the economic policy of the government remained a 'low wage policy' from the labour side and a 'low price policy for agricultural products' from the side of farmers in rural areas in order to maximise market competitiveness in international trade (Chang, 1985: 27). These principles of the government's economic policy were characterised by three distinctive features in labour and agricultural markets: a *cheap labour wage policy, price suppression of agricultural products* and *strict labour laws*. The logic underlying this economic policy was that cheap labour was essential for constructing a competitive export-based economy and a decreasing, national inflation rate.

Nevertheless, the most significant features in the composition of the socio-economic context in Korea during the 1960s and 1970s, were the fast growth of the working class in urban areas and the contraction of the agricultural sector in rural

[4] The military government especially kept watch over trade unions and reformed the structure of unions so that the trade unions were allowed only within industrial sectors. Local unions were not

areas. For the most part, this was brought about through rapid industrialisation.

During this time, as the government had to rely on big business for successful implementation of the export-oriented, heavy chemical industry policy, a small number of privileged entrepreneur groups were established to take over a large part of the economy. These were commonly referred to as the *chaebols* or conglomerates. Consequently, the state's capital became concentrated in a small number of privileged sectors of the urban economy, whereas the standard of working and living conditions in the rural agricultural sector diminished in capital funds as well as in importance.

Second, while the industrialisation policy, especially the export-oriented heavy chemical industrial strategy, generated many new jobs and absorbed the growing labour force from rural areas, the economic policy of the government marginalised Korean rural sectors in terms of developing agricultural industry and improving the quality of life (Han, 1999: 153).

Third, the government's strategy also engendered complaints from the side of labour. Since real income had increased at a much lower level than labour productivity and inflation as well as the average living cost, the quality of life of the labour force relatively degenerated (Hyun, 1985: 248).[5]

Fourth, this economic-oriented policy of the government produced two major organisations respectively in the governmental sector and in the business sector: the *Economic Planning Board* (EPB)[6] and the *Federation of Korean Industries* (FKI). In order to drive rapid and successful economic development in the nation, the military junta desperately needed an administrative body to orchestrate a comprehensive plan for economic development. Through the highly important role and duty granted it by the president, the hierarchical position of the EPB significantly escalated inside the government. The chief of the EPB was also deputy-prime minister in the cabinet until the EPB was closed in 1998.

Meanwhile, entrepreneurs in big business sectors established a representative

---

allowed to organise independently (Kwon, 1999: 45).

[5] This phenomenon persisted in the Chun regime in the 1980s.

[6] Under EPB, the *Korea Development Institute* (KDI) was founded as a think-tank by President Park in 1971. The main role of the KDI was to contribute by conducting economic policy research and by designing relevant economic plans. Its institutional hierarchical position in the government was high, and its research capability was powerful. Later, the KDI expanded its research capacity and was involved both in creating most policy designs with regard to economics and also in formulating social

organisation to represent their collective interests. Because the participation and role of the big business sectors in undertaking the economic policy agenda was crucial for the government in driving the successful implementation of its economic development strategy, the government acknowledged the FKI as a political partner. Hence, the FKI members received political privileges from the government in conducting their business. Both organisations were founded in 1961 as soon as the military junta took power and subsequently set up the economic development plan.

Lastly, two major trade unions were born, the *Federation of Korean Trade Unions* (FKTU) and the *Korean Confederation of Trade Unions* (KCTU). The FKTU was the only acknowledged representative of trade unions in Korea. After the military coup on May 16 1961, the junta banned any industrial action. Subsequently, it went on to dissolve political parties and civil organisations through special ordinances on May 23. As a result, the FKTU was disbanded. On August 30 1961, the junta reorganised the FKTU because it was necessary for the Park regime to draw on the support of the representative institution of labour in order to promote the government-led rapid economic growth. After that, the government-sanctioned FKTU was easily manipulated by the government and remained 'unfailingly loyal' to the Park regime (Oh, 1999: 200; Kim, 1990: 103-104).[7]

Since the democratisation movement in 1987, the rival representative of trade unions, the Korean Confederation of Trade Unions (KCTU), was organised under the slogan of 'democratic labour movement.' The independent and democratic trade union movement has expanded in size since the 'Great Workers' Struggle' in 1987. The number of trade unions has exploded, and the struggle to organise and 'democratise' trade unions has taken off against the repressiveness of the military dictatorship and employers. The KCTU was militant and threatened the government-authorised FKTU through its different advocacy agenda for labour. The KCTU was not authorised as a legal representative agency for democratic trade unions until the sanction of the Kim Dae Jung government in 1997 (KCTU Website).

---

policy.

[7] The FKTU announced resolutions supporting the military revolution of Park's military junta, anti-communist drive and protection of labours' rights in its inaugural ceremony (Kim, 1990: 104).

III. Introduction to the Health Care in Korea

1.10 Health Care Development in Korea

Over the centuries, Koreans had used acupuncture and herbal remedies to treat a wide variety of illnesses, so-called 'traditional Korean medicine' practised by herbal doctors. Treatment had been practised on a family and community-oriented basis, where the daily life of people operated, rather than in a well-organised medical institution. Nevertheless, traditional Korean medicine penetrated deeply into the life culture of ordinary people.

From the end of the nineteenth century, the structure of medical provision in Korea faced enormous changes with the influx of Western medicine into Korea as it began gradually to open its territory to Western countries and Japan. Western medicine was introduced in a number of ways:

- Japanese Western-trained doctors and American missionary doctors in the end of the nineteenth century.
- Domination of Japanese-Western medicine during the Japanese annexation.
- Adaptation of the U.S. medicine and medical system during the periods of the American Military Government and the Korean War.

Between 1876 and 1945, Korea entered into a process of modernisation and transformation of its health care system. The first practitioners of Western medicine in Korea consisted of two groups: one group from Japan and the other group from North America. Based on the *Kanghwa Treaty* of 1876 between the Chosun Dynasty and Imperial Japan, when the Chosun Dynasty promised to open some ports to Japan, several Japanese military Western-trained doctors began practising at modern hospitals in those port cities where Japanese merchants were allowed to engage in free trade (Son, 1999: 544). Continuous treaties made between Korea and several Western imperial powers during the 1880s resulted in the arrival of missionary doctors. For the purpose of spreading Christianity, missionary doctors, mainly from the United States and Canada, treated both the elite ruling class and ordinary people, mostly free of charge. In 1885, the Emperor Kojong built a Western-style hospital, called *Kwanghyewon,* by accepting the proposal of Dr. Allen, one of the American missionary doctors (Paik, 1970: 99-107 & 330-331).

After the Japanese victory in the Russian-Japanese War (1904-1905), the Japanese government accelerated the process for the annexation of Korea. In 1905, the *Ulmi Treaty* was signed between Korea and Japan. Under the treaty, Korea became a Japanese protectorate, and power to administer the nation was vested in the office of the Japanese Residency-General. From then on, the Japanese administration did not allow practitioners of Korean traditional medicine, and only Western-trained doctors were allowed to practice (Son, 1999: 545). During the Japanese colonial period (1910-1945), the Japanese government was hostile to all of Korean cultural identity, including the practice of traditional medicine. In fact, Japan opened its nation to Western countries much earlier than Korea did. Through the *Meiji* reforms of 1868, Japan successfully modernised elements of its social, political and economic systems, including the health-care system. Japan believed that it possessed superior knowledge of Western medicine at that time. With pride in its level of Western style medicine, the Japanese government scorned and continuously suppressed herbal medicine in Korea during the annexation period (Son, 1999: 545).

However, it should be noted that the Japanese government carried out the medical insurance programme in the mainland, but did not introduce the health care programme in its colony, Korea. Japan legislated for the medical insurance law in 1922, and implemented the medical insurance for employees in 1926 and for the self-employed in 1937. However, the Japanese government never adopted the social welfare programme in Korea (Cha, 1991: 59).

After the Second World War, the American Military Government (AMG) was established in 1945, following liberation from the Japanese annexation. Korea then experienced the Korean War in 1950. This period provided an ideal opportunity to bring the advanced medicine, medical system and medical education system of the United States into Korea. The Korean medical system became tremendously influenced by U.S. medicine. The AMG and the U.S. government introduced market ideology and an emphasis on the private sector in medical services. This influence allowed the nation to experience private medicine first-hand, and this consequently became the basis of Korean medical service structures (Han, 1999: 70).

1.11 By-Products of the Modern Health Care Development

Korean medicine was replaced by Western medicine, as we observed in the preceding section, and this thesis also focuses on Western medicine. Throughout the course of these events produced by the development of health care system in the country, a few distinctive features are worth noting: first, Western medicine completely occupied centre stage in the health care provision system in Korea. Hence, the Korean Medical Association (KMA), which represents doctors trained in Western-medicine, has become one of the most influential organisations responsible for the creation and implementation of health care policy. From the 1960s through the 1980s, the KMA was vested with a monopoly as the official representative of medical professionals by the authoritarian government, which was a means of corporatist control. Consequently, the KMA earned political assistance from the government in dealing with policy matters that related to the provision of all forms of health care. Broadly, the KMA often expressed political support for government policy whether or not it related to health care policy. However, since the end of the 1980s, the KMA has regained its political independence and freedom in its involvement in policy-making process and so it has not felt the need to take positions on matters unrelated to health care.

Second, the private health care sector was large and growing rapidly in Korea (Hasan & Rao, 1979: 137). As a result, health care services were mostly supplied through the mechanism of the free market without a well-secured public health care programme until the medical insurance scheme was enacted in 1977. Access to medical services was exclusively confined to the middle and upper income classes who could afford to pay. Those who were poor or who were living at lower income levels had limited access to medical treatment (Park, 1980: 107).

Third, the free market system in the provision of medical care engendered imbalances in the allocation of medical resources between urban and rural areas. As medical manpower and facilities were largely concentrated in the major urban centres where the market system could operate profitably, people in the rural areas had limited access to medical facilities, regardless of their economic status. In 1971, 35% of licensed physicians in Korea practiced in Seoul (MoHSA, 1971).

Table 1-2 Changes in the Number of Licensed Physicians* (1961 – 1995)

Year	Number of Licensed Physicians	Population per Physician
1961	8,405	3,022
1963	9,052	2,968
1965	10,854	2,614
1967	12,269	2,427
1969	14,018	2,221
1971	16,207	1,942
1975 **	16,800	2,100
1980	22,564	1,690
1985	29,596	1,379
1990	42,554	1,007
1995	57,188	784

* Including conditionally qualified physicians.
** From 1975 to 1995, the number of population per physician was applied from the calculation of the author.
Sources: Adapted and calculated from Ministry of Health & Social Affairs (1970, 1971, 1982, 1985, 1990) *Year Book of Health & Social Affairs Statistics*, the Republic of Korea; Ministry of Health & Welfare (1997) *Year Book of Health & Welfare Statistics*, the Republic of Korea; National Statistical Office (1996) *Korea Statistical Year Book*, the Republic of Korea.

Table 1-3 Distribution of Medical Facilities: Concentration of the Facilities in Seoul (Unit: %)

Year	General Hospital	Hospital	Clinic
1970	66.7	26.9	39.5
1971	71.4	26.7	38.6
1982	38.2	27.7	35.9
1984	30.0	28.4	35.4
1989	29.4	27.0	33.8
1995	27.4	23.9	29.5

Sources: Applied from Ministry of Health & Social Affairs (1970, 1971, 1982, 1985, 1990), *Year Book of Health & Social Affairs Statistics*, the Republic of Korea; Ministry of Health & Welfare (1996), *Year Book of Health & Welfare*, the Republic of Korea.

Fourth, the matters of access to and imbalance in medical resources resulted in the formation of alternative medical resources, particularly in rural areas. Before industrialisation in Korea during the 1950s and 1960s, the number of population living in rural areas, where transportation and medical facilities were undeveloped, was of course higher than after industrialisation. As a result, a large part of the Korean population still preferred traditional Korean medicine and folk remedies, which were easily accessible in comparison to Western medicine. In particular, traditional Korean herbal medicine played an essential role as preventive medicine and still performs that role not only in rural areas but also in urban areas. Another alternative method for medical treatment was to use pharmacists. As pharmacists in

Korea were able to prescribe a medicine without a medical doctor's prescription, it was convenient for rural residents to use the pharmacists for accessing more easily relatively cheaper medical treatments than the expensive medical facilities located miles away from their rural residences.[8]

Table 1-4 Trend of Population in Urban Areas and Seoul Metropolitan Area (Unit: %)

	1960	1970	1980	1990	1995
Percentage of Urban Area Population	28	41.2	57.3	74.4	78.5
Percentage of Population in Seoul Metropolitan Area	20.8	28.3	35.5	42.8	45.3

Source: Ministry of Health & Welfare (1998) *Year Book of Health & Welfare Statistics*, the Republic of Korea

Later on, the government included traditional herb clinics and chemistry into the category of medical facilities for medical insurance treatment respectively in 1987 and 1989. This demonstrates that the government admitted imbalances and lack of medical facilities for implementing the medical insurance programme.

Fifth, ever since Western medicine was imported into Korea, it became the most dominant medical treatment in the country, whereas the usage of traditional Korean medicine significantly decreased. Hence, the general term of "medical treatments" or "medical services" now signifies *Western* medicine in Korea. Although a certain part of the population still had a tendency to prefer traditional Korean medicine, a majority favoured Western medical treatments before the medical insurance was introduced in Korea in 1977.

[8] This system caused misuse and overuse of drugs in Korean society. Hence, the Korean government adapted *the policy of role separation between dispensing by pharmacists and prescription by doctors* in 2000.

Table 1-5 Medical Needs & Preferred Medical Institutions of Patients in 1981 (Unit: %)

Medical Institutions	Preferences	Actual Treatments
Hospital or Clinic	65.8	25.6
Public Health Centre	2.2	3.4
Korean Traditional Medicine	4.3	6.1
Pharmacy	27.5	64.5
Midwife	0.0	0.4
Others	0.2	0.0

Source: Ministry of Health & Social Affairs (1982) *The White Paper of Health*, the Republic of Korea, p.141

Table 1-6 The Facilities for Western and Traditional Korean Medicine in Korea (Unit: %)

	Western Medical Facilities	Traditional Korean Medicine Facilities
1955	69.5	31.5
1960	73.1	26.9
1965	69.9	30.1
1970	69.8	30.2
1973	71.0	29.0

Source: Ministry of Health & Social Affairs (1973, 1960) *Year Book of Public Health & Social Statistics*, the Republic of Korea

Conclusion

Among the many social policy programmes, health care policy is one of the most complex in the policy-making arena because mixed variables from social, political and economic sectors necessarily engage in the policy-making process. As a result, the health care policy of any nation contains the distinctive characteristics of its national components. Although many welfare developing countries have adopted the welfare developmental pattern of the developed countries, each nation shows a distinctiveness in its social policy development. Hence, if we observe the evolutionary process of a nation's social policy programme, we will also be able to witness the history of the socio-political and socio-economic development of that nation.

In the same sense, this research is interested in the ways in which the National Health Insurance scheme of Korea has developed over time. The study question explores the relationship between the role/objective of the participants and the outcomes in the policy-making processes of the Korean NHI scheme. In particular, the power structure of key actors in the policy-making is the main theoretical challenges in explaining the research in question.

The research questions are directed to three key elements of policy-making: the executive, the legislature and the interest groups. Primary (interviews, government archives and statistics, newspapers) and secondary data collections, examining the chronological development of the NHI, are used to carry out the study.

In the second and third parts, the chapter discussed the nation and the health care of Korea. Korea was dominated by Confucian influences, and Confucianism was the foundation of the social and political systems of the country. Throughout three historical events – Japanese annexation, the Korean War and the industrialisation – the country faced significant transformations in social and economic structures. During the modernisation of the country, Western medicine was introduced and became the basis of the modern medical system in Korea. In particular, the influx of the American medical system crucially influenced the establishment of the Korean medical system on the basis of the free market mechanism.

By adopting Western systems as models in the social, political and economic

arenas in the country throughout the modernisation process, Korea has become very Western in its thinking with regard to national values. As Western medicine and Western medical insurance systems became the norm, the Korean political system followed suit. With respect to this assumption, the question can be raised as to whether the development of the Korean NHI scheme can be adequately explained within the context of a purely Western theoretical framework. In the next chapter, some Western theories will be introduced before examining their applicability to the final NHI system which exists in Korea today. Western theories can explain the development of Korean health care policy in general and the policy process of the Korean NHI scheme in particular.

CHAPTER 2. THEORETICAL APPROACHES & FRAMEWORKS

I. Theoretical Challenges

In the West, various theoretical approaches have been adopted to explain why and how social policy programmes have been initiated and expanded in modern welfare states. These approaches seek to provide suitable explanations of the development of social policy and the process of decision-making. It has always remained a question, however, whether these Western-born theoretical approaches are suitable for East Asian cases in general.

The newly industrialised countries of East Asia that had experienced colonisation or annexation by developed countries in the empire-building period began to reconstruct their national social, economic and political systems after the Second World War. On account of the historical and cultural similarities between those eastern countries, the studies from the West regarding social policy development of the East tend to focus narrowly on common ideological perspectives such as 'Confucianism.' Social policy initiatives of the newly developed countries have been interpreted with a focus on bureaucratic-authoritarian approaches, commonly manifested in countries with a Confucian tradition and family practice. Confucian-based leadership has had a strong tendency towards autocracy, and is often called 'imperial.' Such state leadership style for governing the society is legitimated through the analogy of the moral authority of the father in a Confucian family. Although its potential for explaining more complex modern social structures is quite limited, it is impossible to ignore the significance of Confucianism when considering policy development in East Asia. However, we need to widen our analytical viewpoint. Because there have been rapid cultural and systemic transformations in the countries of East Asia, approaches to the study of social policy also need to diversify.

In the case of Korea, any single theoretical approach would be insufficient to explain the development of social policy. Since the liberation from Japanese annexation in 1945, the state of Korea has experienced a more rapid transformation in its social, political and economic arenas by comparison with the other newly

industrialised countries of East Asia. Over four decades, Korea faced two military coups d'état led by two different groups. With the end of these military authoritarian regimes, it now enjoys democracy. Despite political fluctuations, the nation has developed its economy enormously. In accordance with the success of economic development, the average quality of life of citizens has rapidly improved.

In reference to the analysis of the development of National Health Insurance in Korea, (as the focus of this research work), it is more difficult to discover any particular theoretical pattern in analysis of policy-making. This is because the number of participating actors and the degree of the involvement of these actors in policy-making have dynamically changed along with the transformation in the political features of regimes.

Two Theoretical Divisions

In this study, theoretical frameworks are divided in two: *theories of social policy development* and *of policy-making*. This is because when we analyse policy-making in a health care programme, the development of health care policy as social policy is simultaneously revealed. Hence, combining these theoretical approaches helps to deliver more profound analytical frameworks as well as a wider scope of understanding for the study of social policy. Based on this method, we observe that *power* is at the centre of these theoretical approaches: first, since the transformation of power resources through social change causes any type of redistribution of power in modern societies, this phenomenon eventually influences the mode of development for social policy; second, the power of key actors is a significant feature in policy analysis because there is a crucial connection between decision-making patterns and power in terms of setting the policy agenda and implementing policy propositions.

Figure 1 shows us a general structure of the policy-making of the NHI scheme throughout the period. Environmental changes in social, political and economic areas affected power structures of institutions and those of policy actors. Environmental changes caused a transformation in the institutional power structure that influenced power relations in the policy-making domain. Meanwhile, a

mobilisation of interest groups took place and through their collective actions they also influence the policy-making domain. During the decision-making process, the interests of the participating actors in the policy-making sometimes compete with each other or are sometimes co-opted by particular interest groups. All these variables have become increasingly complex over the forty years covered in the thesis. Whereas the adoption of particular policies used to be done totally at the whim of the president, the process has steadily assumed the characteristics of a Western model of a democratic formula for policy-making.

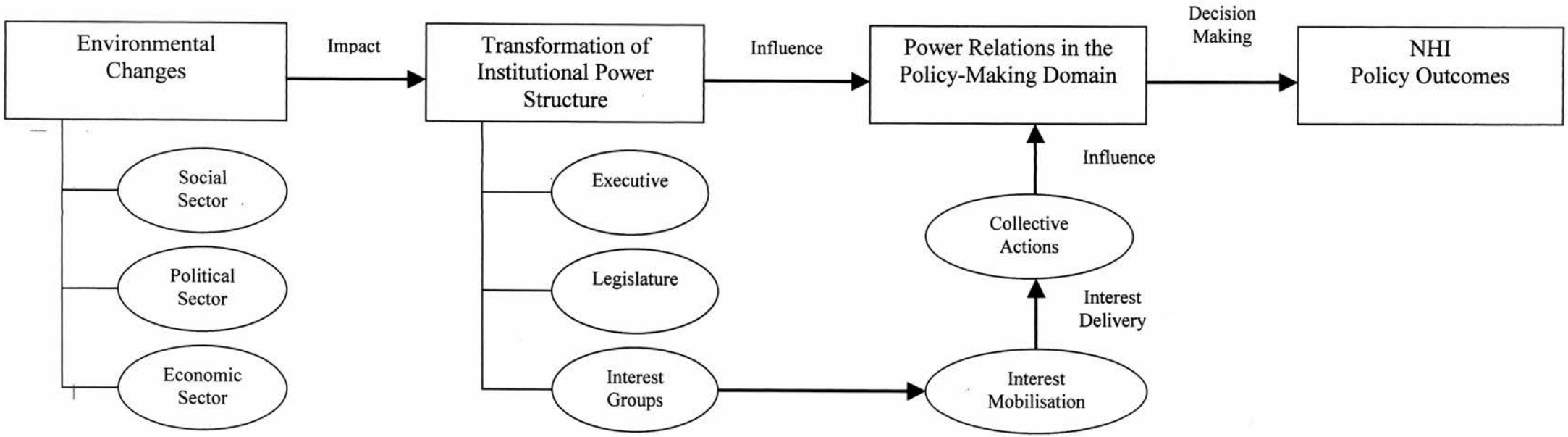

Figure 1 Structure of the NHI Policy-Making

2.1 Theoretical Perspectives for Social Policy Development

Explanation as to what determines the development of social policy in a capitalist country varies according to one's view of the attributes possessed by the state. Korpi (1989) points out three issues key to resolving welfare state development: the relevance of class, the nature of the distribution of power resources, and the possibilities of democratic politics in Western societies (p.309). Furthermore, as power reveals itself in many different ways in the elaboration of socio-economic and political aspects (as Korpi defined above), the degree of class coherence and of the distribution of power varies over time and between countries. Therefore, it is difficult to categorise a nation into a pattern of a welfare development model.

A. Logic of Industrialisation

With regard to the rapid socio-economic development of Korea, the 'logic of industrialisation' theory is a useful tool to illustrate social policy development. This approach enables us to see that welfare state development is associated with economic growth (Skocpol & Amenra, 1986; Wilensky, 1975; Wilensky & Lebeaux, 1965). Wilensky (1975) stresses that "economic growth and its demographic and bureaucratic outcomes are the root cause of the general emergence of the welfare state – the establishment of similar programmes of social security, the increasing fraction of Gross National Products (GNP) devoted to such programmes, the trend toward comprehensive coverage and similar methods of financing" (p. xiii).

Cutright (1965) extends this notion to the political. He emphasises that "national political, economic, and social systems are interdependent" (p. 548). He found that the degree of social security coverage is strongly associated with its level of economic development. In addition, as the national government becomes more and more representative when political independence is achieved in a nation, the higher degree of politically representative government introduces national social security programmes earlier than the less politically representative nations.

This theoretical approach shares many similar points to functionalist perspectives in how it accounts for the development of social policy. This approach explains that social policy programmes are necessarily born to deal with the impact of social transformation into an urban-industrial society. Because urban-

industrialisation and technical evolution cause massive changes in the structure of family, community, labour and demography, government ultimately responds to these rapid social changes by bringing a means of social policy.

This theoretical perspective offers a possible approach for the interpretation of the Korean case. Since the Korean War, the country has succeeded in making rapid economic development during the last four decades. This huge economic achievement has resulted in tremendous social transformations in the areas of family, demography, social structures and so on. While enjoying economic growth, the country has also adopted welfare programmes. During the socio-economic evolution, the question could be raised as to whether the economic development contributed to the development of welfare programmes in Korea. As the NHI scheme was initiated and implemented alongside the economic growth in Korea, the economic growth may be a critical variable to explain the Korean welfare development in general and the NHI development in particular.

With regard to the logic of industrialisation, thus, two controversial issues became apparent with respect to the Korean experiences: first, even though the industrialisation approach provides an explanation for the NHI development, the efforts of political actors in the policy-making arena should be considered; second, although industrialisation has brought progress, it has also contributed to the collapse of traditional social welfare mechanisms in Korean society. For example, neighbours have traditionally depended on each other for assistance during times of crisis. Unfortunately, industrialisation has led to the breakdown of these informal networks and created a need for the development of formalised welfare programmes.

B. Marxist Perspective

Another theoretical attempt seeking to explain the developmental origin of the welfare state is rooted in how capitalism functions as an economic system. This attempt from a Marxist perspective argues that class-conflicts occurring in capitalism, and usually resolved in favour of the interests of capital (in the process of capital accumulation), influence the development of the welfare state. To support this theory, Marxists emphasise that "the capitalist mode of production is both exploitative and conflict-ridden" (George & Wilding, 1994: 103). Because a small

minority owns the means of production to maximise these profits generated by the production system, Marxist theorists see the capitalist mode of production as exploitative. On the other hand, as the work force attempts to improve its working conditions and wages, it is conflict-ridden. Thus, class conflict and exploitation are the 'natural and inevitable' results of the private ownership of the means of production in a capital economic system (George & Wilding, 1994: 103).

O'Connor argues that the capitalist state is involved in two contradictory functions – "accumulation and legitimisation" (O'Connor, 1973: 6). He points out that the state must provide services to improve capital profitability and strengthen conditions of social harmony in order to maintain the capitalist mode of production. Otherwise, public acceptability of the capitalist system and state legitimacy will be undermined. Gough (1979) also views the development of the welfare state as essentially contradictory. It simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over blind market forces, and to repress and control people to adapt them to the requirements of the capitalist economy (pp.11-12).

Saville emphasises the interaction of three main factors for the development of the welfare state in capitalist countries: "the struggle of the working class against exploitation; the requirements of industrial capitalism for a highly productive labour force; and the recognition by the propertied class of the price to be paid for political security." Based on these three factors, he stresses the important role of the working class and of the labour movement in the capitalist system (Mishra, 1981: 75-76).

In conclusion, Marxist theorists see the welfare state as an attempt to deal with problems of capitalist development, class conflicts and recurring economic crises contained in a capitalist economic system. Thus, the capitalist state provides a measure to integrate the working class without a fundamental challenge to the institution and distribution of private property, as Flora & Heidenheimer (1981) point out (p.23).

This perspective provides a tool for examining the relationship between the development of welfare programmes and the conflicts among different socio-economic classes. This is inevitably produced by the profit-driven mechanism of the capitalist countries. In Korea, the export-driven economic development has allowed

for the excessive accumulation of capital by a relatively small number of large corporations, the so-called *Chaebol* (Conglomerate). This tactic facilitated rapid economic development and resulted in the strong control of labour to maintain a stable economic growth in the country. This kind of economic system caused unfair competition and an over-use of power by a limited number of capitalists. In the society, the redistribution of wealth has been uneven among classes, and the gap between rich and poor has widened.

As Marx predicted, these social outcomes produced by economic development under capitalist formation were sufficient to bring about conflicts between capitalists and labour. In Korea, however, this theoretical perspective does not explain appropriately the initiative of the first medical insurance law and its implementation which occurred during the 1960s and 1970s. Since labour was heavily controlled by the authoritarian government, it was almost impossible to take any collective action against the government or employers. Thus, there was no sign of conflict between labour and capitalists in the policy-making process of the NHI scheme. This conflict became evident, however, during the democratic movement in the 1980s. Government officials and entrepreneurs found that the increasing number of labour disputes and the escalating demands of the labour force became a tremendous challenge. It is interesting to see how the labor movement impacted Korean social policy development with respect to government intervention in these issues. In respect to this matter, we can raise two questions: "How has the Korean government reacted to the class conflict?" and "Was the welfare provision a measure of the government to undermine the conflict?"

Secondly, according to Marxists' views, labour is considered as a means of production in the capitalist mode. Thus, welfare is a provision from the bourgeois to preserve the health of labour which guarantees an increase in productivity. In Korea, however, the demands for welfare provisions from the entrepreneur side were not found. Therefore, it cannot be said that the welfare development of Korea was attributed to the efforts of the bourgeois to preserve a high quality-labour capacity.

Finally, this Marxist theory is further limited by its narrow definition of capitalism. It implies that every country will have an identical experience under the capitalist approach. We know that this is not the case when we compare the result of

capitalism in different national settings. For example, two capitalist styles, Scandinavia and the U.S., show us a prominent differential in interpreting the welfare development (especially regarding health care policy). Each country has used a distinct method for dealing with social matters based upon its interpretation of the functions of capitalism. In Scandinavia, the social democratic method was used, whereas a liberal-market approach was adopted by the U.S.

C. Working Class Mobilisation Approach

The working class mobilisation perspective is an effective approach in explaining the intervention of the working class in social reform. According to this approach, welfare state development is a by-product created by persistent conflict between classes in society. The strength of mobilised and unified working class power is closely related to the production of more advanced social policy developments of a country (Korpi, 1983: 39).

This perspective emphasises the extent of co-operation between trade unions and political parties, in particular leftist parties. When the degree of the co-operation between the dominant left party and the trade union is higher, the working class's ability to exercise political influence is more crucial for welfare development, because the representatives of the working class can increase their influence in legislatures and governments (Esping-Andersen & Korpi, 1984: 180; Alber, 1983: 163; Korpi, 1983: 39-41). According to the study of Esping-Andersen and Korpi (1984), for example, the boundaries of social democratic reform are substantially narrower in Austria and Germany than in Scandinavia because the labour movement and political co-operation with a leftist party in Scandinavia are relatively stronger (p.203).

The Korean working class has gradually enhanced its political power through well-disciplined trade unions since the democratic movements of the 1980s. Korean trade unions have continuously threatened governments and entrepreneurs with various demands. Against their challenges, governments have responded sometimes by using oppressive means in order to undermine the labour intervention in the policy-making arena. Since the economic crisis, however, organised labour has gained more effective influences and been able to exercise those powers on the

policy process in association with policy makers.

The power achievement of the Korean working class in recent years may account for the social policy development of the country related to two crucial events – the democratic movements in the mid-1980s and the economic crisis in the end of the 1990s – because the growth of labour influences on governmental policies in Korea contributed to changing power relations in the political domain as well as to encouraging social reform, as the theorists of this perspective consider.

D. Citizenship Perspective

The social citizenship approach was elaborated by T H Marshall through his famous article, 'Citizenship and social class' (Marshall, 1963). He defined citizenship as "a status bestowed on those who are full members of a community" (p.87). He also emphasised that "all citizens are equal with respect to the rights and duties with which this status is endowed" (p.87).

Marshall's perspective explains the development of social rights and social solidarity with regard to the development of the welfare state in capitalist a country. According to his view, although it is manifest to different degrees in different capitalist countries, modern social history represents gradual progress towards the realisation of *civil, political* and *social rights*: *civil rights* are concerned with individual liberty, including freedom of speech and thought, the right to own private property and the right to justice; *political rights* encompass participation in the political processes of government, either as an elector or as an elected member of an assembly; and *social rights* cover a whole range of rights, from the right to a modicum of economic security through the right to share in the heritage and living standards of a civilised society, including protection from the free market in the areas of housing, employment, health and education (Sullivan, 1998: 74; Hasenfeld et al., 1987: 396).

A significant point of Marshall's view is that there exists a permanent tension between the principle of citizenship and the operation of the capitalist market. In this tension, capitalism inevitably involves inequalities between social classes, while citizenship involves the redistribution of political resources through rights which are shared equally by all. When legislated social rights are established

under this tension, the scope of the market is decreased, and the basis of power distribution shifts from market power to political resources through consideration of 'justice.' Eventually, this tension between the market and politics is reflected in the development of social citizenship and the welfare state in capitalism (Marshall, 1998: 72; Korpi, 1989: 312-313). Ultimately, in this theoretical perspective, the political capability of citizens (amongst other social components) is the key to social rights, universality and social solidarity, which are in turn the foundation of the welfare state.

During the political transitions from authoritarian leadership to democratic society in Korea, one of the most significant changes has appeared in the civil sector. It was the development of power distribution in the civil society. The struggles of citizens to acquire democracy has contributed to the increase in citizens' participation in political activities through various channels, albeit slowly.

Secondly, since democratisation of the country, citizens have enjoyed a political involvement in policy-making through civic organisations. As the success of democratic movements allowed a space for civic groups to participate in policy-making and to monitor the implementation of policy, policy- and law-makers have begun to be very cautious about the growing civil power.

Throughout various channels, thus, citizens have attempted to seek their rights and to use them in many areas such as health, education, housing, environment, and so on. With this respect, the citizenship perspective can provide room for interpreting social policy development in relation to the democratising process in Korea.

2.2 Theoretical Perspectives for Policy-Making

For the theoretical understanding of policy-making, two divisions of the actual state of power need to be discussed: the *concentration* of *power* and the *distribution* of *power*. These two concepts are in a reciprocal relationship when one considers how power actually functions in the realm of policy-making.

The *concentration* of power specifies where power has converged and what degree of power is allocated to actors in the policy-making process. It is necessary

to determine who actually holds the reins of power and the degree of influence they really have. In Korea, it was readily apparent that power was almost always conferred on a specific leader who usually headed an elite group and resulted in authoritarian regimes. Thus, it is also imperative to look at the power *distribution* scheme and how it affected the development of Korean social policy. In the policy-making arena, questions can be raised as to how the power is delivered and where it is focussed. In the case of Korea, the lines of power have traditionally run from the top downward. However, following the democratisation of the nation, things began to change. This was due to the significant socio-political transformation that ensued. The ultimate result was the restructuring of power sharing in Korean society as well as in the Korean political arena. These changes constitute an example of the redistributive process of power in a policy-making domain through the democratising process of the country. In sum, this thesis examines how different constellations of power have impacted policy-making.

Definition of Power

Power is defined by various ways by many scholars in policy studies. In classical theory, power is associated with resistance (Sibeon 1996: 49). Max Weber insists that "power is the possibility that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests" (Parsons, 1947: 152). Giddens (1997) defines power as "the ability of individuals or groups to make their own interests or concerns, even when others resist"(p.338). In sum, it can be said that power is being able to achieve one's aims despite the resistance of others.

In political science, however, there is a tendency for the study of power often to be identified with the study of government, involving elites and political leadership. This approach may provide a limited scope for understanding a broad concept of power in the decision-making process. This is because we cannot ignore the fact that a large variety of actors in society are able to influence any type of policy-making in a modern capitalist society. Thus, the study of the implementation of power can be extended to the study of political participation in community politics (Abercrombie et al., 1994).

As part of the aforementioned idea, the definition of power in this study is "the capacity to which one can deliver one's interests in policy-making arenas, in order to influence the process of policy-making." Here, power can be exercised from within or outside of government.

2.2.1 The Concentration of Power

This study adopts 'institutionalist' and 'elitist' approaches as methodologies through which to view the actual concentration of power in policy-making. These two perspectives provide a framework that addresses the question of "where power has converged" in the real world of policy-making.

A. Institutionalist Approach

Institutional analysis in policy-making enables us to observe how policy-making takes place under the formal structures of political institutions, and how political actors adapt their strategies and responses to events outside the institutional context (Kwon, 1997: 15). Institutionalists recognise the 'state' as an actor or an institution. They are also concerned with the impact upon the policy process of the *set* of institutions and constitutional structures (Hill, 1997:85; Skocpol, 1997: 5).

Institutionalist scholars emphasise the point that since organisations interact with their environment to adapt, survive and thrive, the decision-making taking place in institutional contexts is influenced by its dependence on the environments in which it is situated rather than purely rational considerations. In other words, decision-making in organisations may be driven by an inner logic, and the interests and values of its members, rather than by rational calculation (Parsons, 1995: 324-326; Perrow, 1986: 172).

With regard to the above basic exposition of the institutionalist perspective, Hall (1986) extends this analytic notion of the institutional approach to the relationship between society and the institution itself (p.19). He insists that although the institutional focus suggests that the formation of interests and ideas within an institutional context determines outcomes in the policy process, the institution does not exist by itself without a wider relationship to state and society (Parsons, 1995:

334). Accordingly, Hall emphasises that institutional factors in this extended sense play two main roles: first, the organisation of policy-making influences the degree of power that any one set of actors can have over decision making and policy outcomes; and second, the institutional position of actors influences the definition of their own interests, responsibilities and relationships to other actors (Hill, 1997: 86; Parsons, 1995: 334).

According to this state-society approach supported by Hall and Skocpol, the matter of 'state autonomy' in the policy process becomes an essential part in discussing institutional logic in general. Therefore, we can raise the question of how the state could act with substantial autonomy from outside forces, such as interest groups, political and socio-economic elites and so on, in building and implementing a social policy agenda. Under this conceptualisation, it is difficult to see how political institutions could be independent in policy-making because other outside factors are also embedded in policy process in any modern democratic state. Thus, policy analysis cannot be established without integrating an analysis of participating forces outside the formal policy-making terrain.

This institutional approach has the advantage of explaining initiatives in social policy development in Korea. Following the military coup led by President Park, provisional military councils played a crucial role in establishing social policy programmes. Most social policy decisions have been made within a restricted institutional terrain. In such 'confined' institutions, a small number of policy makers were able to access various policy-making stages. Certainly, the president exerted the most significant power in the process of setting and implementing policy proposals. Involvement in social policy-making was restricted to government executives and some policy experts within a small number of institutions. Under these circumstances, National Assembly and political parties, the legislative organs, were not able to influence actively the social policy-making process.

In the case of Korea, it becomes clear that the participation of institutions in policy-making was limited and the number of policy makers was also restricted to a small number of groups in these institutions. Along with policy-making structure, one must be circumspect with regard to the relationships between these restricted institutions. Because constraint and ambivalence exist in the course of delivering

the interests of those institutions, interactions between institutions are the centre of observing the institutional activity in the policy-making. Through observing institutional actors, one can identify the logic of decision making. Consequently, it is important to observe the behavior of decision-makers from within the institutional approach because of their participation as genuine, key members who have orchestrated the activities of the institutions with which they were associated. The elite approach is one among many perspectives useful for deriving an adequate explanation.

B. Elitist Approach

The classical theorists of elitism stress that there is a fundamental division between the elite and the mass. According to those theorists, the elite possess some characteristics or resources, such as military skills, leadership qualities, wealth, organisational skills, or powers of political manipulation, which the mass do not possess (Sibeon, 1996:110).

From the perspective of the policy process, the elitist model explains that power is concentrated in the hands of a few groups and individuals. Therefore, according to Parsons (1995), decision-making within this model is a process which works to the advantage of these elites (p.248). As a result, this approach simply faces the task of interpreting the political situation by asking "who is actually leading decision-making?" Elitism ultimately asserts the fundamental position that there are "strata at the top with power versus the mass without power"(Parsons, 1995: 248).

With regard to the matter of 'power concentration' in policy-making, Marxist approaches share similar views with elite theorists that 'society is dominated by an elite.' But this view of the ruling elite is somewhat different. Marxists agree that the elite belongs to the capitalist class, and is a dominant stratum whose power stems from the economic structure of society, whereas elite theorists perceive the division of society into dominant and subordinate groups as an inevitable fact of society. They also claim that elite power also stems from various non-economic factors which themselves are not rooted in economic relationships (Hill, 1997: 46; Sibeon, 1996: 110).

Elite theory represents an important alternative to pluralism (Hill, 1997: 45). In a similar sense, elitism is sometimes referred to as 'neo-pluralist theory' because this perspective rests on a view that power is held by a relatively small number of interest groups, that is, by fewer groups than pluralists suppose (Sibeon, 1996: 110). Considering the relationship between elitism and pluralism, Schwarzmantel (1994) points out that:

> elite theory emphasises "the single versus the many": the co-ordinated and integrated elite versus the passive, fragmented and disorganised mass. Pluralism, by contrast, is a theory of diversity and the role of the many, who organise in groups and associations to influence the power-holders and to compete for power. In sum, whereas the pluralist picture focuses on dispersion and diffusion of power, and the related concept of multiple sources of power, the elitist hypothesis is one of power concentration, of a single power elite that dominates a mass (p.69).

In reference to the pluralist argument against elitism, Clegg (1989) states that "it is not that pluralists deny the existence of elites. They just simply see them as more dispersed, more specialised and less co-ordinated than would elite theorists" (p.9).

Schumpeter's conception of 'democracy elitism' argues that the existence of elites does not threaten democracy so long as there are a number of competing elites, and providing people have the opportunity to choose between those elites at election time. In other words, regular elections based on competition between the leaders of political parties, together with participation by pressure group elites in elections, and interaction between these elites and the bureaucratic elites, are the ways in which democracy operates in the modern state (Hill, 1997:45; Sibeon, 1996: 110). Thus, in policy-making, these interactions involving different elites function as a protection measure against political domination by one group.

In opposition to Schumpeter's thoughts, C Wright Mills (1956) in *The Power Elite* took another line. Mills argued that those at the top of the economic, political, and military institutional hierarchies constitute a relatively homogeneous power elite that takes decisions of national importance. Thus, there eventually form anti-democratic patterns in policy-making (pp.287-297).

Finally, in another interesting point with reference to the elitist approach in policy-making, Parsons (1995) argues that there has been a circulation of elites in democracy and argues that in the modern era a shift has taken place from class struggle to a struggle between different 'skill groups.' These skill groups include for example, those skilled in the use of violence (i.e. military and police elites); those with communication and propaganda skills; those with business and commercial skills; 'technocrats' who possess specialist technical knowledge; and bureaucrats with administrative or organisational skills (p. 250).

This theoretical perspective is especially useful for observing a main leading actor (or group) in the actual field of policy process. There has always been a certain figure leading a policy decision, a so-called *leader*. The leadership of a leader is usually expressed in diverse ways according to the type of the power structure and the institutional characteristics to which a bureaucracy or political institutions belong. Thus, if we study the dominant persons or groups in a certain governmental context, it may enable us to understand more deeply the essence of a policy analysis.

To an extent this Korean case study may receive an advantage from this theoretical perspective. First, political power in Korea has been concentrated in a few confined and specific offices in the government. For instance, the president has been the one who has had the strongest grip on political power. Around the president, a few restricted political elites have been brought into the presidential secretariat office so that the office has become one of the most influential political organs in the policy process. Subsequently, the head of the presidential secretariat office, often called the 'mini-cabinet,' has acquired strong authority in controlling ministerial offices in the government.

Second, as the primary agenda of the president and government was economic growth, economic elites became more powerful key policy makers than any others, not only in economic policy but also in social policy. Third, even in the legislative body, actual participation by party politicians in policy-making has been limited to a few exclusive executives in the party.

Consequently, these distinctive characteristics of the elite in the Korean bureaucracy have created a singular form of policy-making. Since decision-making

power has been focused on a restricted and specific group or individual, a 'top-down' style of authoritarian policy-making has become enhanced. Accordingly, policy-making has become vertical and closed within policy-making institutions so that it has resulted in an excessive influx of the 'political will' of the leader into policy-making.

Nevertheless, this approach is appropriate for exploring only a specific period of the policy regarding the NHI scheme. Since democratisation, this elitist view of the decision-making process is less useful as an explanation. This is because power began to spread gradually to various areas, from the governmental territory to the societal level. Therefore, we need to observe carefully the growing multilateral transitions of power to effect a historical approach to policy-making analysis.

2.2.2 The Distribution of Power

While institutionalist and elitist explanations are the most powerful ones in Korea, I also want to discuss the applicability of corporatist and pluralist approaches used to explain Western democracies because these two approaches represent the explanation of how policy may function in a democratic society. A main concern of both perspectives is 'the distribution of power' because the shape of power distribution influences the structure of policy-making.

A. Corporatist Approach

The great depression and the acceptance of the Keynesian critique of the self-regulating capitalist economy provided the major stimulus towards intervention by government and other institutional sectors. This caused state activity to increase. The state consequently had to deal with a growing emphasis on economic regulation and social policy (Cawson, 1978: 191). Those socio-economic transformations in the capitalist state began to demand both integrative and regulatory roles for government in order to establish regular and mutually supportive relationships between private and public institutions as well as interest groups.

In academic debates of political ideology, pluralistic ideology began to lose

its persuasiveness in the changed circumstances of capitalist society. The corporatist approach was one of the most threatening challenges to pluralism. Since Schmitter published his article *Still the Century of Corporatism?* in 1974, the corporatist perspective has become a critical approach in explaining the interest-representation system in modern socio-political contexts.[1] Schmitter (1979) clearly defines corporatism thus:

> Corporatism can be defined as a system of interest representation in which the constituent elements are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and support (p.13).

Jacek (1986) also supports Schmitter's definition of corporatism by emphasising the values of "cooperation over competition, hierarchy over horizontal social structure, controlled change over spontaneity, socially responsible obligatory behavior over calculations of rational self-interest, the intermingling of public and private, and reciprocal influence between civil society and the state" (p.421). Wynia (1990) argues that corporatism rejects the notion of open competition and the principle of government neutrality in favour of a more deliberate effort to organise and regulate public-private sector relations. In addition, he emphasises that corporatism may involve a willing collaboration by interest groups with authorities because they believe that it is for their benefit to work together rather than to compete openly for influence. Such is the case in Scandinavia, where a mild form of corporatism has grown from mutual interests in the management of economic and social policy (p.43). Robinson (1991) tried to find a distinctive characteristic of corporatist perspective from a directive role for the state. He insists that "the corporatist state seeks to control policy according to the principles of unity, order, nationalism, and success maximising efficacy in the attainment of collective national goals" (p.2).

---

[1] Schmitter's corporatist approach is called *neo-corporatism*. The term of corporatism used in this

In short, it can be said that if pluralism emphasises the competitive market system of pressure group activity, corporatism concentrates on the system of state-licensed monopoly. Schmitter labelled corporatism as two subtypes – *state corporatism* and *societal corporatism*. State corporatism is authoritarian and anti-liberal (Hill, 1997: 66). This type of corporatism tends to be associated with political systems in which territorial subunits are tightly subordinated to central bureaucratic power; elections are non-existent; party systems are dominated or monopolised by a weak single party; executive authorities are ideologically exclusive and more narrowly recruited and are such that political subcultures based on class, ethnicity, language, or regionalism are repressed (Schmitter, 1979: 22). This perspective is often linked to the work of O'Donnell (1974), notably termed *Bureaucratic Authoritarianism*. It argues that the state, which holds a type of authoritarian rule, is dominated by a strong coalition of high-level technocrats, military leaders and upper bourgeoisie in relation to foreign capital.

On the other hand, in the societal system of corporatism, changes in the institutions of capitalism – including concentration of ownership and competition between national economies – triggered the development of corporatism. The need to secure the right conditions for capital accumulation forced the state to intervene more directly and to bargain with political associations. Thus, emerging societal corporatism came to replace pluralism as the predominant form of interest representation (Hill, 1997: 66).

Many corporatist theorists have used this theoretical perspective to understand the state intervention in a macroeconomic context. The initial usage of 'neo-corporatism' was largely confined to studies on macroeconomic policy coordination between the state, business and labour.[2] It focused on the specific structural characteristics of organised interests and their ability to participate in the

---

study mainly means neo-corporatism.

[2] With regard to the macroeconomic policy context, in particular state-labour relations, in the corporatist approach, Collier and Collier (1979) pointed out that 'inducements' and 'constraints' may ultimately lead to state penetration and domination of labour organisations (p.970). The term of 'inducements', according to Collier and Collier, focuses on provisions regarding registration, right of combination, monopoly of representation, compulsory membership, and subsidy of unions. 'Constraints' includes provisions regulating collective bargaining and strikes, other controls on demand-making, controls on leadership, and provisions for state monitoring and intervention in internal union affairs (Collier & Collier, 1979: 971).

formulation and implementation of public policy, stressing the regime 'governability' of countries that engage in 'tripartite' negotiations and suggesting that corporatist policy networks have been able to adjust to the turmoil of the 1970s international environment without resorting to deflation and mass unemployment (Young, 1990: 73).

Crepaz (1992) points out two major outcomes of corporatist arrangements: first, corporatism is expected to provide desired macroeconomic outcomes[3]; and second, corporatism should achieve social harmony (p.143). Panitch (1979) also claims that "the major value of corporatism is social harmony" (p.119). In relation to corporatist approaches to macroeconomic policy, they agree that economic growth is the condition of maintaining social harmony. Economic growth may contribute to social solidarity between labour and capital. Magagna (1988) indicates a similar point that "the ultimate goal [of corporatism] is to maximize economic growth and productivity...The essence of corporatism, therefore, is a politics of representative efficiency" (p.429).

In corporatist countries, as Lehmbruch (1979) emphasises, a policy decision will be dependent upon processes of 'consensus-building' within the political system (p. 170). However, as long as the consensus-building largely takes place at the level of the top elite, even in the interest associations, it would be difficult to fully expect independence and freedom in decision-making. It is probably a weakness common to both corporatist and pluralist approaches.

In general, this theoretical perspective is an effective tool in interpreting macro-economic policy-making, as especially being witnessed in western European countries. In the same manner, the case of Korea is not exceptional. In the beginning of economic development under the military authoritarian regime, co-optation between entrepreneurs and government was an essential part of creating rapid economic growth. According to very recent observation, a different type of co-optation has been found in economic policy-making by comparison to the earlier period. Following the economic crisis in 1997, the government has expanded its

---

[3] The very nature of the Austrian social partnership is one of stability, and of equilibrium between the functional groups. Social partnership is not a means to redistribute dramatically societal wealth or to revolutionise society. It is a means to prevent violent struggles between labour and business

political partnerships in order to strengthen its political relationship with social forces to obtain mutual agreements for emergency agenda-setting in economic and social policy. Consequently, the tripartite system involving the government, entrepreneurs and labour has appeared as an emergency measure at a critical moment.

Regarding the policy process of the NHI scheme, a similar corporatist approach can be applied. For the initiation of the NHI scheme, the military government desperately needed co-operation with entrepreneurs and the medical profession to successfully carry out the health care programme. During the economic crisis, the new government decisively undertook reform of the NHI scheme. To do this, the government brought together various other lobbies, interest and campaign groups and prompted a new negotiation with professional groups.

In the different periods of Korean health care policy, it can be argued that different shapes of corporatism obtain over the evolution of the NHI scheme. It is not obvious whether the two divisions of the corporatist perspective, societal and state corporatism, are separately applicable to the analysis of the policy process. Resolving this issue requires observation of the relationship between government and involved parties outside government so as to examine how and why certain collaborations occur throughout the policy process.

B. Pluralist Approach

Beginning from the twentieth century, classical theories of democracy have been threatened with increasing complexity in society and the advent of the 'mass society.' Public demands from citizens in various classes and from the different interests of diverse groups has forced classical democracy to adopt to deal with the new political atmosphere. Pluralism has become an alternative ideology suited to the new political environment, by combining the ideal of democracy and the reality of a mass-society.

Miller (1983) argues that pluralist theory identifies certain patterns of political preferences as promoting the 'stability' of democratic systems and others as threatening to such stability (p.734). Pluralism was developed to explain how

---

(Crepaz, 1992: 143-144).

democracy could still work in a society in which representation is indirect and pressure groups are actively involved (Hill, 1997: 28). Ultimately, this theoretical approach recognises the existence of diversity in social, institutional and ideological practices, and values which a modern society possesses (Dunleavy & O'Leary, 1987: 13). Pluralists view this diversity as a necessary and positive dimension of social and political life, as Schwarzmantel points out (Schwarzmantel, 1994: 50).

On the other hand, Schmitter (1979) explains pluralism as a system of intermediation between government and interest groups :

> Pluralism can be defined as a system of interest representation in which the constituent units are organised into an unspecified number of multiple, voluntary, competitive, non-hierarchically ordered and self-determined (as to type or scope of interest) categories which are not specially licensed, recognised, subsidised, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories (p. 15).

As Schmitter defines it, pluralist theory supposes that the state does not exercise a monopoly of representational activity. In other words, pluralism emphasises the fair distribution of power in the political arena.[4] On the basis of this assumption, pluralist theorists argue that in modern society, power is extensively distributed. And public demands and opinions are able to influence the policy process. Therefore, pluralist theorists have claimed that public policy is a by-product of the outcome of competition between individuals and between interest groups (Parsons, 1995: 134).

Pluralism emphasises some critical points, as explained below:

First, the activities of 'interest groups and pressure groups' are key features in the pluralist approach. This is because the political activities of pressure groups can affect the policy agenda at the stage of implementation, and pressure groups also influence the outcome of elections (Ham & Hill, 1984: 26-27). Pluralists stress the

[4] According to the origin of the pluralism, institutional pluralism was strongly demanded in order to avoid the state of absolute power derived from a period of sovereignty and tyranny. It emphasises the separation of powers and federalism (Dunleavy & O'Leary, 1987: 14).

importance of political competition and elections in polyarchies (Dunleavy & O'Leary, 1987: 26; Drucker et al., 1986). These pressure groups are likely to have influenced the policy process at any stage such as in negotiating legislation, establishing links to influence the implementation process, monitoring policy results, and so forth (Hill, 1997). And, according to the pluralist perspective, the actions of politicians and their beliefs are seen as constrained by a wide adherence to the [democratic] creed that exists throughout the community (Debnam, 1975: 890; Dahl, 1961: 325).

Second, 'power structure' is also a key factor for pluralism (Hill, 1997). As power influences the formation of relationships between political actors in a society, the balance of power distribution is a crucial issue within the pluralist argument. Lastly, pluralist theorists suppose that decision-making in public policy is largely determined by the set of preferences of the different members of society. Miller (1983) states that a variant of pluralist theory is associated with patterns of group affiliation: conflict in society reflects patterns of political preferences; and in turn these preference patterns are related to the stability of the political system (p.735). Thus, variations in democracy across countries can be accounted for by political references to 'political culture' and the preferences of a country's population.

However, the pluralist approach has difficulty in explaining more sophisticated socio-political phenomena that challenge modern society (Kim, 1994). Firstly, pluralists emphasise that power is widely and unconcentratedly distributed among different groups and individuals within a society. However, power is not equally distributed and power tends to concentrate in modern society. In particular, power is centred on a small number of political elites who dominate interest groups. Thus, power is eventually concentrated in the hands of an elite or a number of elites within a ruling class (Hill, 1997; Ham & Hill, 1984: 30-31; Cawson, 1978). In other words, counter-valency does not operate. Some groups are very much more powerful than others. Some interests go virtually unrepresented (Harrison, 1980: 69). Governmental departments and their personnel are actually aware of the power of key individuals and combinations of citizens' groups in the policy-making realm, and they are loathe to act before consulting and "clearing" with these particular interests (Hunter, 1953: 102).

Secondly, according to pluralist theory, everyone who is interested in pressure groups can participate in the pressure activity and influence their interests on political decision processes. However, only a small number of people actually join pressure groups, thereby, their interests can be easily excluded from the policy decision-making process by a power elite (Schattschneider, 1960: 34-35).[5]

Thirdly, in pluralism, key issues in the policy process are decided by a competition among interest groups where the government performs its role as an intermediary. However, crucially, political issues are decided behind closed doors in government (Parenti, 1970). Based on this notion, Bachrach and Baratz (1962) claim that there is "an additional face to power," that a lot of politics occurs behind the scenes, concealed from the public, because small groups of elites make political decisions and control the policy agenda. In addition, they propose "the mobilisation of bias" in policy-making, since many political decisions are established with bias in favour of a certain elite group or organisation. They argue that those with power can actually exclude issues and problems from the policy-making agenda in order to control the agenda because they focus on 'safe issues' by manipulating the dominant community values, myths, and political institutions and procedures (Bachrach & Baratz, 1962: 105).

Fourthly, pluralists believe that the political and economic sectors are separate in the policy process. Therefore, they indicate that 'equal access of power' to various sectors is available within pluralistic ideology. But Marxists deny this point. Marxists stress that the bourgeoisie dominates capitalistic society. In their view, policy in society is not a product of competition among interest groups, but of the interests of the ruling class in capitalist society. The so-called "bourgeoisie" dominates the policy process (Hill, 1997: 46-47).

Finally, the pluralist approach asserts that policy is always decided within the structure of the government although there is some allowance made for receiving input from the private sector. For example, government agencies and business sectors may seek a political bargain. As economic issues are very important in the policy process, both government agencies and business sectors need to co-operate

[5] According to Schattschneider (1960), approximately 90% of the people cannot get into the pressure system (p. 35).

and negotiate to achieve their aims. In this regard, it is safe to state that policy decisions can be made outside government through political bargains with any interest group (Hill, 1997; Cawson, 1978).

As we face the fundamental problems underlined above with regard to actual decision-making, we can question whether policy decisions are made by majority decisions through the fair distribution and competition of power within the political realm of highly democratic regimes. As pluralists insist, public policy should be a by-product through equal competition based on the fair power distribution in a policy market. Despite the scepticism that the pluralist theory engenders, it is still worth the challenge of implementation by new democracies such as Korea.

When we discuss the course of policy-making in Korea, in general, the pluralist approach also arouses scepticism. Under its unique political surroundings, as discussed with regard to the elitist perspective, the top-down nature has prevailed in the authoritarian bureaucracy in government as well as in the paternalistic tradition of Korean society. This style of strong elitism existed in the bureaucracy built on the political principles of 'subordination, submission and passiveness' (Han, 1999: 198). Subsequently, these bureaucratic features have contributed to produce a monolithic power structure in policy-making.

After the military coup of 1961, access by interest groups to the policy-making arena was closed by the ruling authority. Thus, any political challenge against those with power was disallowed. Therefore, the state failed to act as the neutral arbiter in social policy-making as pluralist theorists have suggested. Through democratisation, political power has become greatly decentralised in Korean society, and the accessibility of actors to the policy process has significantly increased. This phenomenon persuades us that there has always been distribution of power in society at some level. However, there is still some scepticism with regard to the Korean policy-making system as it relates to the pluralist perspective.

In a political system headed by a president, such as that of Korea, the fulcrum of power rests with the president and his associates. Thus, it would be difficult for actors to expect a fair and equal access to the policy-making domain. Even though Korea has become a politically democratic country, the policy-making process is not free from its underlying concern. However, scepticism towards the

pluralist perspective will challenge the study of the applicability of pluralism to the policy-making process of the NHI scheme in Korea.

II. Framework for Analysing Policy-Making Process of the NHI Scheme in Korea

Examining the policy process of a certain policy agenda requires consideration of a series of political dialogues in organised contexts in which there are established norms, values, relationships, power structures and 'standard operating procedures' (Hill, 1997: 86). Thus, it is important to understand how institutions constrain decision making inside or outside government and how institutions shape and determine decisions through formal or informal constitutional arrangements. This research considers the evolution of the NHI scheme over a long period, examining policy decisions and how they are the outcome of political conflicts over time.

The history of the policy-making process of the NHI scheme is divided into four stages by chronological approaches: 'Stage one' gives an introduction of the initial steps in building a national health care policy under Park's military regime. At this stage, the authoritarian-military government is the only actor designing social policy. This stage covers the 1960s and 1970s. 'Stage two' considers the initial reform movement and conflicts within the government under the Chun regime. Politicians and professionals become involved in the policy process, although their number was limited. This stage concerns the time period from 1980 to 1983. 'Stage three' illustrates a wider development of the reform movement in political institutions and in civil society under the democratising process. This stage covers from 1986 to 1996. Finally, 'Stage four' considers NHI reform under national economic crisis. At this stage, new participants from wider sectors in society join in policy-making as part of the effort to resolve socio-economic problems. At the same time, radical reform becomes a pivot of crucial political matter. This stage examines the period from 1997 to 2000.

Although the Korean constitution was changed in detail several times in the period under study, the government has always been run by an elected executive president similar to that of the United States. But there is no elected vice-president. Instead, the president nominates a prime minister as an assistant and a co-ordinator

between the president and the government. They serve as chairman and vice-chairman respectively of the cabinet council. The National Assembly has to approve the nominee before the prime minister can take up office and has occasionally refused to do so.

Until the 13th general election of 1988, it was not possible for the opposition to organise political power freely because of the authoritarian nature of the ruling regimes which made certain that it held enough seats in parliament to quash any and all opposing points of view. Neither was it easy for opposing members of parliament to stand against the government policy because dissent was not well tolerated by the leadership in the ruling, political party.

In Korea, there are two ways of accessing the legislative process. First, a bill can be proposed by members of the executive branch of the government. In this case, a governmental department will create the bill and bring it to the cabinet council. After a deliberative process in the cabinet council, the bill can be proposed to the National Assembly in the president's name. If the bill is approved by the president, the prime minister, and the other council members, it is a so-called "government" proposal.

Secondly, the National Assembly members can also draft and propose a bill. When this happens, the bill is known as a "parliamentary" proposal. Either way, the proposed bill should be deliberated in the National Assembly at a last stage of the legislative process.

If the president is interested in a certain project, the matter can be referred to a relevant government agency to be proposed as a bill by the Presidential Secretariat Office. Once the bill is sanctioned to be proposed in the cabinet council, it needs to be examined in the National Assembly through a deliberative process.

When the National Assembly was unable to act as an effective legislature, most of the legislation that was proposed by the government – including those specifically introduced from the president – was enacted easily. With the democratisation of the country, however, the National Assembly has gradually become an effective legislature. It has shown itself able to create and propose its own bills that represent its own ideas as well as resisting the ideas of an exclusive executive in government.

Each stage emphasises how the activities of actors, in particular political elites, political institutions, classes and interest groups, have been embedded in the policy-making domain over the period of forty years. As we see in Figure 2, the government was the only actor in policy-making at the initial stage. However, the participants in the policy-making arena have gradually increased. Eventually, the participation has been recently broadened to include other interest groups. Subsequently, two groups – the reformist group and anti-reformist group – have become clearly organised, and they have continued to have an input into the policy process. In order to understand the history of the NHI scheme, theoretical perspectives introduced in the preceding sections are tested for validity, and for whether each approach explains well the phenomena of policy-making. However, no single theoretical approach can entirely explain one nation's policy-making process independently and the approaches do not have equal explanatory significance. Nevertheless, the differing theoretical perspectives are not mutually exclusive in accounting for different stages of the policy-making process.

Regarding the policy-making process during the first and second stages, institutionalist and elitist approaches are useful explanatory tools. A strongly confined institutional arena and a restricted number of participants were the only elements in the policy process. The narrow scope of policy participation was especially evident in the first stage, and it became wider at the second stage. But participation was allowed only to a certain elite group, such as a limited number of politicians and academics.

At the third stage, the scope of policy participation was opened widely alongside the democratising process in the country, so that the involvement of various interests groups increased in the political arena. Based on the effect of the democratic movement, the pluralist approach can be tested on the transformation of the policy-making style in the country because pluralists are concerned with the (equal) power distribution in a democratic policy-process. The formation of policy-making process developed with respect to the economic crisis at the fourth stage. To overcome the national emergency, the government adopted a corporatist approach to deal with socio-economic issues in the policy-process. Thus, the corporatist perspective would be a better tool in explaining this particular stage.

Concerning the policy development of the NHI scheme in Korea, we need to investigate three points through the observation of these developmental stages. The relationship between industrialisation and welfare development would be studied in the Korean case, and whether the success of economic growth has influenced the development of the medical insurance programme in Korea. Second, it is important to find out to what extent the development of the health care programme is a product of the working class conflicts against government and employers as well as a means of a regime's legitimisation for its political security, as Marxists claim. Finally, the development of citizenship in Korean society becomes a crucial element in scrutinising the health care policy process. As the democratisation of the country significantly contributed to improving citizenship, it would be a necessary attempt to link citizenship with the development of the NHI scheme.

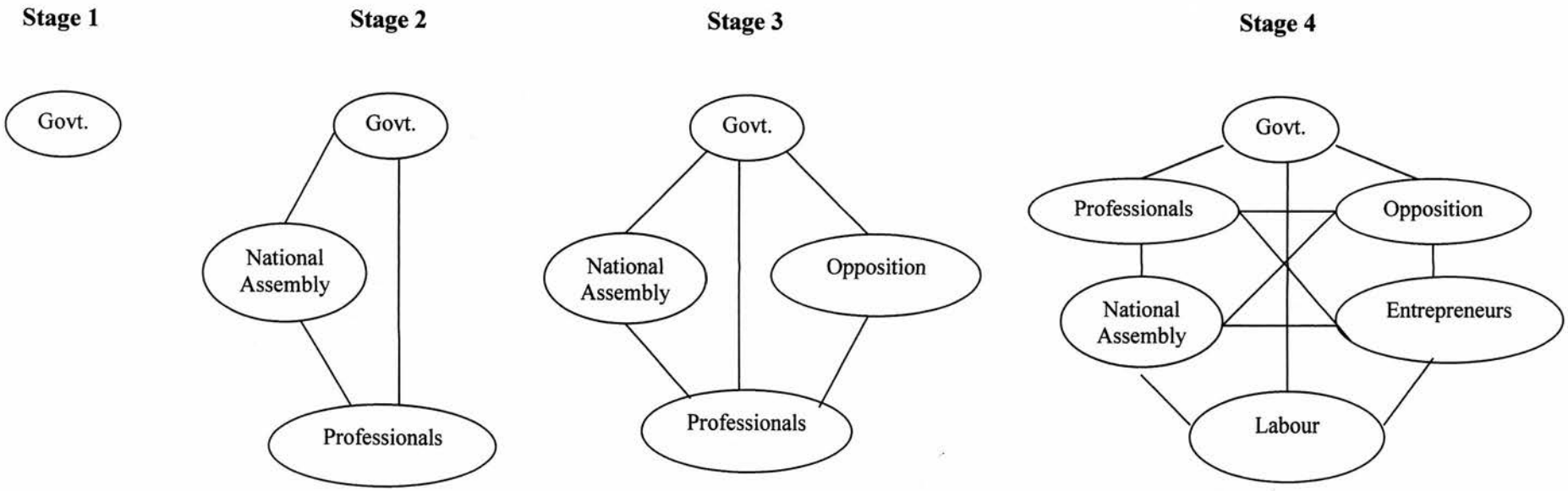

Figure 2 The Developmental Stages of the NHI Scheme in Korea

Conclusion

In this study, the Western-born-theoretical approaches are tested as to whether they are applicable to explain the development of the Korean NHI scheme. The theoretical perspectives are applied to two aspects: welfare state development and social policy-making. Power is a key factor in analysing this case study because the pattern of distribution of power formulated by the transformation of power resources influences the shape of these two aspects.

In particular, the theoretical approaches used to explain Western democracies are adopted to examine the policy-making process of the NHI scheme. It is a valuable challenge to discover a broader scope of policy process associated with the democratisation of the country. The theoretical approaches are applied to four developmental stages of the Korean medical insurance. The four stages are demonstrated by chronological approaches, and also describe how the range of actors embedded in the policy-making process has been widened during the periods.

CHAPTER 3. BUILDING A HEALTH SECURITY SYSTEM IN KOREA (1961-1979)

This chapter focuses on the initial stages of the introduction of social security under the authoritarian military regime of the 1960s and 1970s. In particular, it considers the foundation of national health care policy. To a certain extent this chapter examines the motivations of the military government in introducing a medical insurance programme and how executives and policy makers in government were involved in building health care policy.

Following the end of the Korean War, the country experienced political and economic unrest, as well as military and ideological tension between North and South. The leaders of the First and Second Republics failed to demonstrate the strong leadership necessary to overcome economic hardship and also to entrench a democratic state. Social and economic conditions thus worsened. It was in these desperate circumstances that Korea experienced a military coup d'état led by General Park Chung Hee on May 16 1961.

The military junta began to push for economic development under the slogan of 'liberation from poverty.' However, the military leadership installed by the coup struggled to generate sufficient support from broader society at the beginning of its rule. Thus, it was necessary for the junta to acquire legitimacy, which it did by bringing social security into its political agenda.

Following the success of the military coup, Park Chung Hee was elected as president in the presidential election on October 15 1963. Accordingly, a general election was held in November 1963 and the Democratic Republican Party (DRP) became the ruling party. As a result, the Third Republic was born on December 17 1963. In an authoritarian, and bureaucratic atmosphere, the policy-making process was constrained. This kind of lock-out style dominated all policy-making processes within the Korean bureaucracy during this period.

Before introducing the main part of the chapter, it should be noted that this chapter relies especially on the evidence of Choi and Sohn. Access to data about the policy-making process during the military regimes was limited for the public

because most of the policy-making was made behind closed doors. In particular, it was more blocked in the Park regime during the 1960s and 1970s. Fortunately, Choi Chun Song, former Head of the Social Security Committee (SSC), and Sohn Jun Kyu, former Assistant Technical Expert of the SSC, left valuable accounts (books) regarding the policy-making process of the social security system in the 1960s and 1970s, after they retired from the position [Choi (1991); Sohn (1981)].

I. Initial Steps in Social Security Policy-Making

3.1 Political and Economic Backgrounds

After the coup led by General Park Chung Hee, the military junta promulgated the *Law of Extraordinary Measures for National Reconstruction* on June 6 1961, which in effect superseded the Constitution of the Second Republic by granting extraordinary powers to the junta. With the establishment of this emergency law, the *Supreme Council for National Reconstruction* was instituted as a temporary ruling body. The members of the Supreme Council were generals and colonels in the military, particularly from the Army and Marines. The Supreme Council was granted supreme decision-making authority and was able to exert absolute political power over the legislative and executive authorities from 1961 to 1963, until the presidential election in 1963, when General Park became president. The Park-led military junta proclaimed its five fundamental principles of the military revolution (Park, 1970a: 59-60): 'anti-Communism,' 'overcoming international isolation,' 'national democracy,' 'independent national economy,' and 'national unification.' These five principles shaped socio-economic policy in the Third Republic.

Based on these political pledges of the junta, the Supreme Council was determined to establish 'economic growth' as the primary policy agenda, in order to keep the manifesto of the military revolution, which was *liberation from poverty*. This political intention of General Park Chung Hee was revealed clearly through his speech right after the successful Military Revolution. He announced (Park, 1970b):

> I cannot think of anything else that would make me more miserable than to be hungry. Priority one of my duties at this moment is to drive poverty away from this chronically poor country, and I believe

this is the only way to win the struggle against Communism (p. vii).

In pursuit of this, the Supreme Council designed the First Five-Year Economic Development Plan (1962-1966). The economic development plan was successful; economic indicators afterward showed rapid growth.

3.2 Initial Interest of Health Care Inside Government

From October 1959 onwards, the *Research Seminar for Adopting a Health Insurance Scheme* was held every Thursday, voluntarily organised by the Medical Policy Bureau in the Ministry of Health and Social Affairs (MoHSA). This seminar was designed to promote an interest in a social security system for officials in the MoHSA and, further, to form the machinery for establishing a social security system in the near future. Eight members joined the meeting, including civil servants and consultants from the MoHSA. Three were high-ranking civil servants in the ministry; the rest were non-regular staff in the ministry.[1] Based on discussions in the seminar, from 1959, the Medical Policy Bureau and the Labour Affairs Bureau had considered a medical insurance scheme, and unemployment as well as industrial accident insurance schemes respectively. In addition, a public assistance scheme was considered by the Social Affairs Bureau of the Ministry (Sohn, 1981:19-20).

Yang Jae Mo and Um Jang Hyun were appointed to the Medical Policy Bureau as consultants, and they and Sohn Chang Dal, an existing non-regular staff member in the bureau, were involved in the study of medical insurance. They asked the Ministry of Foreign Affairs to collect references and data about foreign social security systems through Korean embassies abroad. In particular, the research team obtained a number of data from the United States, British and Philippine embassies in Korea (Sohn, 1981: 19-20).

Most of the non-regular staff in the seminar group were health care experts.

---

[1] The participants in the seminar were: Youn You Sun (Head of the Medical Policy Bureau), Youn Suk Woo (Director of Facility Division in the Medical Policy Bureau), Kim Yong Sung (Director of Medical Affairs Division in the Medical Policy Bureau), Sohn Chang Dal (high-ranking non-regular staff of the Medical Affairs Division), Kim Tak Il (Technical Assistant of the Medical Affairs Division), Chung Kyoung Kyun (non-regular staff of the Medical Affairs Division), Yang Jae Mo (Consultant of the Medical Policy Bureau) and Um Jung Dal (Consultant of the Medical Policy Bureau).

Um Jang Hyun and Yang Jae Mo were Professors in Schools of Public Health at Seoul National University and at Yonsei University respectively. Moreover, Sohn Chang Dal had experience in operating a health care programme. In 1955, he had established and managed 'Busan Labour Hospital,' which was run by a managerial style of insurance-funding society to provide good quality medical treatment for workers. As a result of this experience, he joined the MoHSA as a high-ranking but non-regular officer in 1959 and conceived his long-time wish to carry out a health care programme as part of social security policy (Choi, 1991:17).[2] Chung Kyoung Kyun was also a health expert, who later worked as a professor in the School of Public Health at Seoul National University.

All eight participants in the seminar group had been directly involved in the area of health care. Although they were not social policy experts, generally speaking, they possessed valuable knowledge about health care and were interested in developing health care provision. The weekly seminar provided an opportunity for staff in the MoHSA to discuss their own interests regarding health care issues. However, ideas for health care provision collected by seminar members were not developed enough to be applied to actual policy-making during the period.

Nonetheless, the members' research created opportunities for future development of social policy study within government. According to Sohn (1981), Um's report, *Opinions and Report about Problems related to Adopting a Medical Insurance Scheme*, contributed especially to developing the framework of a Medical Insurance scheme in 1977. Throughout the report, he emphasised that (p.21):

- Most citizens do not have sufficient financial capability for a medical insurance programme at the current Gross National Product (GNP) level of 1959. Because it is impossible for the government to carry out a programme to cover the entire population under the present economic conditions and living standards, a limited medical insurance scheme would be possible under the circumstances.
- In order to study sufficiently social security systems, a research body composed of professionals is necessary.[3]

---

[2] Sohn Chang Dal contributed to making the regulations for the establishment of the Committee of Social Security System; he joined this committee later in 1968 (Choi, 1991: 17).

[3] This suggestion prompted the organisation of the Committee of Social Security System.

- The social insurance system should be the basis of the Korean social security system. Public assistance and other welfare programmes should be supplementary and simultaneously implemented.
- Existing programmes, such as occupational mutual benefit society systems, which possess the characteristics of a social security system, are fragmented, as they are currently carried out separately by each enterprise, and should be unified.

When the military junta took over the governing power after the May 16 military revolution, the junta created many social welfare relevant ordinances[4] in accordance with the suggestions of these technical experts. Even though the intention of the military junta with these ordinances was achieving legitimacy for the military coup d'état,[5] those ordinances were the basis of future social policy development in the country.

Although Western medicine and the Westernised structure of health care were successfully adopted, concern by the government regarding public health care for the needy was not specifically addressed in legislation until the beginning of the 1960s. In 1961, the Korean government legislated for the *Livelihood Protection Act*[6] which was mainly adopted from the Japanese Livelihood Protection Act and the term 'medical aid' was classified under the Act as assisting people with low income and those who are unable to pay for medical care (Shin, 1990; MoHSA, 1994). However, since the legislative details about medical aid were not clarified in the law at the time, the implementation of medical aid was not sufficiently supported by the

---

[4] Those ordinances are ① Civil servant pension law (announced on January 1 1960); ② Civil servant industrial accident compensation regulation (announced on November 22 1961); ③ Labour standard law (announced on May 10 1953; revised on December 4 1961); ④ Vocational stability law (announced on December 6 1961); ⑤ Child welfare law (announced on December 30 1961); ⑥ Livelihood protection law (announced on December 30 1961); ⑦ Patriots and veterans relief compensation law (announced on November 1 1961); and ⑧ Ruined behaviour protection law (announced on November 9 1961).

[5] For more information about legitimisation in the welfare system of Korea, see Kwon's DPhil thesis (University of Oxford, 1995) for, *The Welfare State in Korea: the Politics of Legitimation.*

[6] The Livelihood Protection Act was passed as one of the public assistance schemes in December 1961. In the legislation, the Act identified four categories of assistance: 'livelihood aid,' 'medical aid,' 'maternity aid' and 'funeral aid.' In 1982, the Act was amended and 'self-support aid' and 'educational aid' were added (Doosan Encyber, 2002; MoHSA 1994).

legislation. Based on the Livelihood Protection Act of 1961, the provision of medical aid, under this inadequate legal document, was mainly carried out by public health centres and state or public hospitals, which eventually faced managerial difficulties due to poor economic conditions, and a lack of medical manpower and facilities (Doosan Encyber, 2002). Medical aid was not stipulated in enforcement regulations until 1977, when the *Medical Aid Act* was legislated as one of the public assistance programmes along with the *Medical Insurance Act*.

3.3 The First Public Health Research

From 1960, the population structure of Korea was, markedly, both of a low birth rate and declining mortality. Thus, the income security of the elderly became a potential social problem. As in other countries, (fast) industrialisation created pressures for social protection programmes such as unemployment insurance and industrial accident insurance. Alongside these developments, public health research was undertaken for the first time in modern Korean history, accessing the health and medical treatments of a thousand householders living in the Seoul area between October and November 1962. According to this research, monthly average medical expenditure per person was 66.7 Won[7], and monthly average medical expenditure per house was 364.5 Won; the monthly average income of the labour household in the urban area was 6,680 Won (1963 values). Also, the research found that two thirds of the interviewees lived with at least one sick family member, and only 67.2% among the sick family members obtained medical treatment. However, as 80% of the treated family members received treatment by using a pharmacy, the research showed that most patients received low quality medical treatment and had difficulty accessing medical institutions (see Table 3-1)(Choi, 1991: 60-61).

As illustrated above, in comparison to the speed of economic development and structural changes in society, the quality of life lagged behind. It was a significant concern for the junta how to improve matters compatible to the economic development because it was important to show a new-strong leadership towards citizens, and to show that the new government intended to take some political

[7] *Won* refers to the unit of Korean currency.

measures to improve the quality of life for fellow citizens in the country as the military junta had promised.

Table 3-1 Methods of Access to the Medical Treatment in 1962

(Unit: %)

Out-Patient	In-Patient	Visiting Treatment	Dental Treatment	Pharmacy	Korean-Oriental Medicine	Others	Total
27.3	2.0	1.9	2.0	56.1	8.1	2.6	100

Source: Applied from Choi (1991) *The History of Social Security Research in Korea*, p. 61

3.4 Committee of Social Security System

Just after the May 16 revolution, the military junta delivered a public pledge of an 'urgent solution for national poverty,' demonstrating a continued interest in social security. In 1962, the Supreme Council announced that "equal provision of medicine, improvement of the quality of living standards and social welfare will be achieved on the basis of public assistance and a social insurance system." The following year, the Supreme Council stated that the "causes of social instability such as poverty, diseases and overpopulation will be eliminated by establishing a social security system" and also that "the welfare state will be built alongside achieving social justice" (Sohn, 1981: 28-29).

Sohn (1981) emphases that the main reason why the Supreme Council became interested in social security was the consistent efforts of the social security advisory staffs of the MoHSA and the Supreme Council. Through formal and informal networks, they tried to communicate with the executives of the Supreme Council, who themselves did not have sufficient knowledge of and interest in social welfare, to stress the importance of a social security system. In 1961, when Chung Hee Sup was appointed as the new Minister of Health and Social Affairs, he was strongly persuaded of the important role of social welfare for the country by these advisory staffs. This effort by the advisory staffs to persuade a direct policy-maker influenced Sohn Chang Kyu and Kim Yong Soon, Chiefs of the Education and Social Affairs Committee[8] of the Supreme Council, as well as Hong Jong Chul, a

[8] The Education and Social Affairs Committee of the Supreme Council took charge of the ministerial

member of the committee. As they were key participants in the military coup, they possessed strong political power in the Supreme Council. As a result, many executive members became interested in a social security system and further, consultancy staff could at any time enter and leave the Supreme Council when access was usually very restricted (p.29).

On March 20 1962, the *Regulation for the Committee of the Social Security System* was set up through the consistent efforts of researchers and consultants to establish an official basis for working on a national social security system in the government. With support from several powerful executives in the Supreme Council, a regulation for establishing the Committee of the Social Security System was passed by the junta. Accordingly, the Committee of the Social Security System (CoSSS) and the Social Security Research Team were organised by the official regulation. The research team officially focused on four research areas: 'comprehensive social security,' 'industrial accident insurance,' 'medical insurance,' and 'public assistance and social welfare' (Choi, 1991: 29-33). The committee was composed of technical experts, assistant technical experts and consulting members. For the consulting members, high-ranking civil servants from the MoHSA and academic representatives were appointed.

3.5 Order of the Chairman of the Supreme Council and the Legal Framework of the Social Security System

The establishment of the CoSSS allowed the members to focus on the study of social security systems with the official support of the junta. On July 28 1962, technical experts of the committee received the surprising news that Park Chung Hee, the chairman of the Supreme Council, issued an order of memorandum to the cabinet stating, "Do establish a social security system." This memorandum was sent to the Minister of Health and Social Affairs via the cabinet council of the Supreme Council. This memorandum order can be summarised as follows (Sohn, 1981: 36):

- It is our ultimate goal to build a welfare state as soon as possible through increasing national wealth and protecting citizens from life risks such as unemployment, diseases and so forth.

---

activities of education and social affairs.

- Although public assistance programmes have been providing services for people in need under the livelihood protection law, permanent social security schemes to protect citizens' lives should be driven forward in a manner compatible with national economic development plans, involving citizens, employers and the government.
- Among social insurance programmes, a suitable programme should be chosen (in consideration of the current socio-economic circumstances) through a pilot programme.

In fact, Kim Yong Kyun, Chair of Education and Social Affairs Committee in the Supreme Council, and Hong Jong Chul[9], a member of the committee, were especially interested in the implementation of social security systems. They often discussed the matter with technical experts in the CoSSS and the Supreme Council. Eventually, this concern with social security issues was directly delivered to the chairman of the Supreme Council by the efforts of a few of its top executives. As a result, the chairman ordered the memorandum which was designed by Woo Ki Do and Oh Jung Keun, technical experts of the Education and Social Affairs Committee, and Sohn Chang Dal, a technical expert from the MoHSA, according to Sohn (1981: 36-37).

However, Sohn's explanation is rather limited to the effort of the CoSSS and the relationship between the members of the Supreme Council and the technical experts of the CoSSS. Regarding this point, we need to consider another aspect. Firstly, the leader and the junta might have chosen 'social security' as propaganda to secure their political legitimacy for the military coup. As the public sentiment was not yet convinced by the military leadership, the junta still needed to draw public support by exposing the fresh policy agenda, in particular, prior to the presidential election of 1963. Secondly, at the same time, prior to implementing the most important (economic) policy project of the junta – the First Five-Year Economic

[9] According to Choi (1991), Hong had been very interested in social security systems and frequently visited the research office of the CoSSS to encourage research team members. One day, when he returned from a business trip, he brought two books about social security from Japan and donated those books to the research team. In addition, he often stressed to team members the importance of establishing a social security scheme which could "cover the entire population rather than a particularly selected group of the population" (p. 24).

Plan – the leader might have been reflecting his personal intention to develop social security simultaneously along with the economic development. Because Park Chung Hee possessed a strong will to liberalise people from severe poverty through the military revolution, the success of economic growth and social development meant for him promising his manifesto of the military coup.

The order of Chairman Park encouraged the CoSSS members to design the foundation of a national social security system. The members realised that a legal basis was necessary to implement any social security scheme. In other words, a law indicating and defining goals, concepts and programmes as well as a governing institution was essential for the foundation of social welfare programmes. In the process of developing this legal foundation, members of the CoSSS introduced a draft of the law entitled the *Law regarding Social Security*, which was brought to the 107th Standing Committee Conference of the Supreme Council together with the Industrial Accident Insurance Act on October 8 1963.

Before starting the deliberation process of the bills, Hong Jong Chul described the welfare policy directions of the junta at a conference of the Supreme Council and emphasised a few points using the implementation of social security system (Sohn, 1981: 37):

- The slogan of 'building a social security system' had been contained in the public pledge of the Supreme Council since the military revolution of 1961.
- The administrative policy in the junta's own *Social Welfare Policy*[10] of January 5 1963 also includes a statement about a social security system.
- The memorandum order issued by Chairman Park on July 28 1963 contained several concrete ideas regarding social security matters.

However, despite support from some cabinet executives, many crucial points in the Law regarding Social Security were eliminated. In particular, eleven items in the social security programmes[11] originally addressed in the law were eliminated

[10] The administrative policy contains the following five issues: ① the government would establish medical insurance and industrial accident insurance schemes; ② the relief policy for the poor and unemployed would be launched; ③ relief programmes would be brought forward; ④ the housing policy would be expanded; and ⑤ three basic labour rights (right to organise; right to bargain collectively; right to act collectively) would be guaranteed (Sohn, 1981: 37).

[11] The eleven items include allowances for medical services, holidays, unemployment, the aged, industrial accident, family, delivery, tuberculosis, the bereaved, funeral and public assistance (Choi,

during the deliberation process of the conference. This was because many executive policy makers still worried that if those social security schemes were foreshadowed in the law, there would be no excuse not to carry them out in the near future; i.e. it was to avoid the responsibility of the government in dealing with welfare provisions. Furthermore, the 107th Standing Committee downgraded the political status and the role of the CoSSS. The chairman's position of the committee was moved from the Minister of Health and Social Affairs to the Vice-Minister. The number of committee members was also reduced from fifteen to eleven. Moreover, the name of the committee was changed to the *Social Security Committee* (SSC). As a result, the status of the CoSSS was diminished from an investigating institution to merely an advisory body (Choi, 1991: 26-31).

In the policy process of the *Law regarding Social Security*, the first Korean legislation regarding social welfare concerns, we can establish three critical points. Firstly, the interest in social welfare of the political leaders in the Supreme Council was low. Although the CoSSS created a frame in providing a legal basis for pursuing social welfare policy, the primary concerns of the Supreme Council executives were that the law would burden the junta with more political demands for social welfare.

Secondly, despite a continuous stress on the 'welfare state' by the military junta, the decision-making process regarding the law on social security in the standing committee showed an important element in the policy direction of the military government. The outcome drawn by the 107th Standing Committee provided clear evidence of how policy structure and style were orchestrated by the junta leadership as a means of consolidating the legitimacy of the regime. Although the law was considered in the standing committee (on October 8 1963) prior to the presidential election (scheduled for October 15 1963), substantial aspects were deleted. The executives of the junta rushed to get the law passed within a week of the presidential election without essential regulations. Hence, the law eventually remained shallow legislation aiming at a short-term measure for political legitimisation.

Thirdly, diminishing the status of the CoSSS made the policy capacity of the

---

1991: 29-30).

committee structurally marginalised in the policy process within the state hierarchy. Sohn (1981) points out that the bureaucracy in the government often ignored research results and suggestions produced by the CoSSS (p.31). As the members of the CoSSS were non-regular staff in the government, hierarchical conflict with regular staff had existed in the policy process ever since the CoSSS was established. The Law regarding Social Security eventually contributed to fomenting a dysfunctional bureaucratic environment between the regular staff and the CoSSS members within the MoHSA. This situation lasted until the committee was disbanded in 1983.

In sum, although the first legislation regarding social security matters in modern Korean history was legislated under the support of several political executives of the junta, social security legislation could not yet become a politically fundamental concern of most policy makers under the political circumstances. It was a concern of the junta leadership largely as a means of consolidating the legitimacy of the regime. Nonetheless, the standing committee constructed the initial foundations of social security and moreover, this foundation framed subsequent (and indeed present) social policy in Korea.

II. The Birth of a Medical Insurance Scheme in Korea

3.6 The Birth of a Medical Insurance Scheme

As mentioned above, the technical experts in the government and the CoSSS had already begun profound research collecting empirical and structural data with regard to a health care programme. In spite of advanced studies of health care systems, the industrial accident insurance scheme was legislated and fulfilled earlier than a medical insurance scheme because the government intended to avoid financial responsibility for social security programmes. Implementing the industrial accident insurance scheme was relatively less costly for the government because employers in the private sector had most of the financial responsibility for industrial compensation programmes.

However, it was Hong Sung Chul, an executive council member of the Supreme Council, who spurred the birth of medical insurance. He supported building a comprehensive social security programme which could cover the entire population. National pension and medical insurance programmes could be

considered in the category of universal coverage.[12] However, considering the economic capability of the nation and the income level of the citizens at the time, a national pension programme was rather infeasible (Sohn, 1981: 64). With respect to the administrative expediency of the government, in addition, the implementation of a medical insurance programme was of more importance than designing the plan for a national pension scheme. It was felt that implementing a national health care system would have been less expensive than financing a national pension programme and that it would have been less complicated to set up the administrative structure for the medical insurance scheme. It would have been a difficult task for the government to build up the financial framework for the national pension programme in such a short time. A national pension programme was, therefore, not endorsed by the government.

The medical insurance research team of the CoSSS created an initial blueprint of a national medical insurance law in 1962.[13] Sohn (1981) insists that the systems of foreign medical insurance were simply adapted to form the foundation of the Korean medical insurance system. There was neither a profound critical filtering of the texts of foreign systems nor any other measures to adapt them to the context of the Korean socio-economic background (p.66). There were neither social policy experts nor sufficient research regarding the comprehensive structure of medical markets in the country. Therefore, the technical experts in the CoSSS had to rely heavily on foreign secondary data.

The draft of the medical insurance law was written by Hong Chang Sup of the research team. The draft was revised four times and then finally was accepted. In order to get approval for the medical insurance bill from the Legislative Office, Hong Chang Sup used informal connections. As a graduate of the College of Law at Seoul National University, Hong asked graduates of his alma mater who worked in the Legislative Office to deliver the bill to the National Assembly.

However, during the deliberation process of the bill, the clause indicating 'compulsory entrance to the scheme' was eliminated. Thereby, a major characteristic of social insurance system, compulsory entrance, did not exist in the

[12] For more details about the policy-making in the National Pension Scheme of Korea, see Kang's Ph.D. thesis (University of Edinburgh, 1992), *The Policy-Making Process of the National Pension Scheme in Korea.*

final version of the legislation. This was because a legal consultant to the Supreme Council was strongly opposed to compulsory entrance, based on the reasoning that it was in contravention of the principle of freedom of contract embodied in the constitution (Choi, 1987: 222). Furthermore, despite support from some executive council members, the general tendency of the council cabinet was not in favour of enacting the medical insurance scheme. According to Sohn (1981), what concerned the council was as follows:

> The primary assignment of the cabinet was solving national poverty. However, if the compulsory entrance system was activated, the private sectors and government would have felt huge financial burdens because of the universal coverage of the scheme (p.69).

As economic growth was the most important agenda of the junta, the council cabinet would not take any risks that might harm the economic plan because the outcome of the economic plan would critically affect the credibility of the junta leadership. Therefore, a voluntary entrance system, which was able to avoid placing financial responsibilities on both private and government sectors, was preferred by the majority of the council members at that time. Finally, a voluntary medical insurance scheme was legislated as the first Medical Insurance Act on December 16 1963,[14] but the law was not enforced after its legislation. Instead, voluntary-pilot schemes were subsequently prepared in the junta for two years, and the first pilot scheme was carried out by one of the state-run companies in November 1965 (Choi, 1991: 114-115).

There is no evidence as to why the legislation was not implemented at the time. However, it is an example of a phenomenon in Korean politics, so-called *dead legislation*. The legislation has tended to remain unenforced for the following reasons: ① detailed enforcement regulations were not ready; ② the political will of top-executives in government was weak; ③ surrounding socio-economic conditions were not appropriate; ④ government executives failed to implement the law because of the pressure from interest groups; and so on. This situation has usually occurred without public recognition. It is thus one example representing the vertical and

---

[13] Choi Chun Song, Kang Nam Hee and Hong Chang Sup were involved in the process.
[14] It was the last day of the Supreme Council's legislating activity before the Third Republic.

closed policy process style that existed in Korean politics.

Under the surrounding circumstances, it is clear that the interest and participation of citizens in the medical insurance programme would have been low under the voluntary regulation. This was because the public had insufficient understanding and insufficient financing from national medical insurance. Under those inadequate conditions for implementing medical insurance, the pilot scheme did not even expand quickly to other sectors.[15] Secondly, the junta did not have a strong will to enforce the medical insurance law. In terms of the council cabinet's view, since the First Five-Year Economic Plan was a top-priority in its interests, the legislation for a medical insurance programme could never be a primary concern for the junta.

In December 1966, in such a deadlock before the general election of 1967, the Democratic Republican Party (DRP), the ruling party, presented a policy report, the *Long Term Out-Look of the Korean Economy (1967-1986)*. The report emphasised the necessity of implementing social welfare programmes (Policy Research Team of the DRP, 1966):

> It is difficult to adopt all social security programmes which currently operate in developed countries. But it is necessary to implement social insurance systems such as medical insurance and unemployment insurance programmes. Also, the range of livelihood protection needs to be extended. These policies will be able to contribute to the social stability of the country. Furthermore, this is directly linked to economic stability as well as economic development in the country. In order to succeed in this plan, a social security tax needs to be established and social insurance funds also need to be set up as a category in the national budget to raise financial capability (pp.92-93).

Consequently, prior to the general election, the ruling party set up a public pledge that the medical insurance scheme would be implemented. In order to demonstrate the effort of the ruling party and the government, the legislation of the Medical Insurance Act was revised with a mixture of voluntary and compulsory systems in July 1970 under pressure from the public on the ruling party. In the [first] revised

[15] Until 1976, the voluntary-pilot programme only covered 0.2% of the entire population of the country (Moon, 1997: 94).

legislation in 1970, the compulsory entrance system applied only to employees, civil servants and military servicemen. On the other hand, the voluntary entrance system simultaneously applied to the self-employed (Sohn, 1981: 87).

However, the legislation was again not enforced. The exclusive executives in the government and the ruling party did not have an actual intention to pursue medical insurance. Therefore, such progress of the ruling party can be interpreted as a political gesture to undermine public criticism over the stagnant implementation of medical insurance before and after the general election.

3.7 The Yushin Regime and the Second Revision of the Medical Insurance Act

As President Park introduced martial law, the so-called *Yushin* (Revitalising reform), in November 1972, the regime turned to a more authoritarian style of political leadership. With the introduction of the Yushin constitution, state power was heavily concentrated in the hands of the president. Without restrictions on the term of office and the participation of political parties, the president was to be elected by the newly institutionalised National Conference for Unification. Furthermore, the president was empowered to dissolve the National Assembly and to appoint one third of the National Assemblymen as well as to appoint and fire judges. The Yushin constitution provided the president with the power to take emergency measures under a state of national emergency for national security.

After Yushin, the Park regime accelerated the formulation of social welfare programmes. In November 1973, the National Welfare Pension Act was passed by the National Assembly. Accordingly, the government increased demands for a health care programme. For instance, in June 1975, the EPB announced that the Fourth Five-Year Economic Development Plan would concentrate on developing the areas of health, education and housing, and proposed the basic principles of health care policy (Lee, 1989: 78-79):

- Hereafter, a comprehensive health care plan would be set up and carried out. And as the private sector will be inducted into the health care sector, the efficiency of health care investment will be raised.
- To minimise waste of medical facilities and manpower, the medical training

system would be reviewed. In the meantime, the systemic structure of private hospitals would be improved to maximise facilities and upgrade social functions.

- The administration system of the state and public hospitals would be modernised. Furthermore, medical facilities specially caring for mental illness and tuberculosis, with which the private sector avoids dealing, would be developed.
- A pilot programme for developing the medical system in rural areas would be carried out. Local public health centres would be upgraded to comprehensive health care units.
- Preventive health policy would be consolidated to improve the living quality and environments of rural areas.
- Regarding the above, pollution prevention programmes would be strengthened.
- To socialise medical fees, a system of insurance-funding societies and occupational medical insurance programmes would be implemented. This policy would contribute to the foundation of national medical insurance scheme in the near future.

Although this announcement included many prospective ways of developing health care policy, these measures of the EPB did not mean that the government intended to pursue immediately a medical insurance programme. Until 1975, the issue of implementing social welfare programmes was still not an important concern of the bureaucrats in the government. For example, the MoHSA sent Choi Soo Il, Head of Welfare Pension Bureau in the MoHSA, to the United Kingdom for training in Western social security systems for six months. When Choi returned from the training, he recommended a general medical insurance scheme to Minister Ko Jae Pil but the minister turned down the idea. Meanwhile, Minister Ko addressed his thoughts regarding the implementation of a medical insurance scheme in the plenary session of the National Assembly in July 1975: " the medical insurance scheme may be able to start after completing the Fourth Five-Year Economic Development Plan." Four months later, the minister reconfirmed his negative views with regard to implementing a medical insurance scheme: the decision of whether or not one should be introduced would be settled depending on the result of the pilot programme, as many developed countries had experienced failure in implementing

such schemes (Research Institute of Public Administration, 1989: 55).

This statement of Minister Ko implied that he did not have any intention at all of carrying out a medical insurance scheme. Because the medical insurance-pilot programme had been in place for almost a decade, since 1965, the outcome of the pilot programme was sufficiently well-known at the governmental level. Thus, the minister was merely trying to make excuses. We can therefore raise the question of why Minister Ko held a negative view of medical insurance programmes. This question will be answered later in the chapter.

Thus, the executive cabinet members of the government did not have either any strong intention or any interest in enacting a medical insurance scheme until the end of 1975. In turn, the matter of implementing a medical insurance scheme did not yet occupy the political arena as a primary concern.

However, following Shin Hyun Hwak's[16] appointment as Minister of Health and Social Affairs in December 1975, the political agenda of the government rapidly became more positive towards implementing a medical insurance scheme. President Park asked Kim Jung Ryum, Chief Secretariat of the Presidential Secretariat Office, to take care to nominate a good candidate for the Minister of Health and Social Affairs. And as soon as Shin was appointed, the president gave an order directly to the minister to design a medical insurance programme. The president especially asked Minister Shin to create an appropriate health care programme for the country which would be compatible with the development of economic growth and the strengthening of national military power (Kim, 1995: 309). It was just after New Year's day of 1976 that the president started to spell out the implication of enacting a health care programme. On January 15 1976, President Park addressed his political agenda through a New Year's press conference (Newspaper of the KMA, January 19 1979):

> The key point of the Fourth Five-Year Economic Development Plan will be focused on social development. Simultaneously, a national medical insurance scheme will be established and implemented from next year so that the entire population will be able to receive medical

[16] Minister Shin was an economic expert. He worked as a high-ranking civil servant in the Ministry of Commerce and Industry, and was appointed as the Minister of State Reconstruction in 1959. After that he was chairman of a few private companies before being appointed as Minister of Health and Social Affairs in December 1975. Shin also had a close personal relationship with President Park.

benefits at low medical cost.

Subsequently, when the president visited the MoHSA on February 10, President Park stated that "the medical insurance programme should be achieved to provide medical benefits to the lower income population." In the meantime, the Minister of the Economic Planning Board (EPB) supported the president's agenda that "the government will be keen on livelihood welfare policy to improve living conditions through such issues as housing, medicine, pollution and the living environment during the Fourth Five-Year Economic Development Plan" (Dong A Il Bo, February 26 1976). In April, the MoHSA prepared a long-term health care plan for the fourth economic plan. According to the plan, "businesses hiring 500 or more employees should compulsorily build a funding society between 1977 and 1978. From 1979 to 1981, businesses hiring 200 or more employees should compulsorily establish a funding society, and voluntary regulation will be applied to medical insurance schemes for the self-employed" (Lee, 1989: 80).

President Park Chung Hee promised to the public "medical benefits for the lower income class" on June 16 1976. In consequence, the MoHSA started to prepare for the plan based on President Park's public pledge. The following message of the MoHSA demonstrated a more developed approach to fulfilling a medical insurance scheme (Won, 1990: 40):

- The medical cost of the target population of the livelihood protection scheme would be fully paid by the government.
- For the medical treatment fees of the poor living below the monthly average low income level (40,000 Won in urban and 30,000 Won in rural areas), the government would subsidise 30% of the fee and the other 70% will be paid by the government. But the beneficiary should pay back the paid fees separately within one or two years.
- Other citizens would receive medical services under the administration of insurance-funding societies structured at the occupational and local level.

Three days later, on June 19 1976, Nam Duk Woo, Deputy Prime Minister and Minister of the Economic Planning Board, announced the blueprint of the fourth economic development plan. In the announcement, he emphasised that the fourth

economic development plan will particularly focus on social development (Sohn, 1981: 90).

In September 1976, Health and Social Affairs Minister Shin presented a clearer health care plan through a keynote speech in a seminar for hospital managers (Choi, 1987: 32):

> The government was planning to announce a health care programme in five years' time when the Institute for Health Development completes its five-year research project. In advance, however, the government decided to announce plans including a health care programme in the Fourth Five-Year Economic Development Plan, which is to start in 1977.

At this point, we need to raise another interesting question: why was the leader of the state suddenly so interested in implementing medical insurance? First of all, the Yushin constitution granted an unlimited ruling period to President Park. The regime therefore had to confront severe political opposition over the implementation of dictatorship. Thus, in seeking both to deflect political challenges and also to consolidate the legitimacy of the regime under the new constitution, the Park regime encountered two incentives for action. One response was to take forward social security programmes which had been postponed. The continuous postponement of a national pension programme pushed the bureaucrats in the MoHSA to initiate an alternative social security programme to replace the pension scheme. In addition, as the medical insurance programme had been already postponed several times following its initial legislation in 1963, the government might run out of excuses for delaying the implementation further.

Second, we can find clues from matters within Korean society. Social problems regarding medical matters dramatically increased in society during the mid-1970s. In particular, some emergency patients in poverty were refused medical treatment.[17] The events by reference to corruption in medical fees provoked demands for government intervention (Park, 1996: 71; Newspaper of the KMA, December 6 1976).

Third, but more importantly, we can find another reason encouraging

[17] Sixteen directors of hospitals were prosecuted for unethical medical practice in May 1976 (Park,

President Park in his drive to implement the medical insurance programme in the competition between the South and North Korean regimes. In the 1970s, the North Korean regime was much more successful than the South Korean regime in diplomatic terms. North Korea successfully joined the Inter-Parliamentary Union and the World Health Organisation (WHO) in 1973. While South Korea failed to enter the Conference of Non-Aligned Countries in 1974, North Korea successfully joined the conference. With regard to social security, North Korea had already established a free medical care system in 1952 covering most people, and expanded the system to the entire population in 1972. Inside North Korea, the North Korean authority used the fact of the poor medical care system of the South as propaganda to the North Koreans. Kim Il Sung, the leader of North Korea, proudly announced the success of the North Korean universal health care system to foreign authorities. Moreover, the North conducted a direct propaganda attack against South Korea's undeveloped health care system at international meetings (Joo, 1999: 396-397).[18]

President Park took the decision that the medical insurance programme should be implemented. To carry out his plan successfully, Park positioned his most reliable man, Shin, in the Minister of Health and Social Affairs. It seems highly possible that the decision of the president was his own and only a few of his back-room men knew about the plan. It is evident that even former Minister Ko did not recognise the plan in November 1975, when he repeated that medical insurance would not start soon.

3.8 The Policy-Making Process in the Government

Most of the medical insurance planning was drawn up in the Welfare Pension Bureau of the MoHSA. Choi Soo Il, Head of the Welfare Pension Bureau, had general responsibility for planning the scheme. Kim Il Chun and Kim Jong Dae had responsibilities for setting the framework of fee schedules and insurance administration system respectively (Park, 1996: 91).[19]

1996: 71).

[18] In relation to this, an executive of the Korean Central Intelligence Agency (KCIA) brought a leaflet distributed from North Korea to President Park and suggested the implementation of a medical insurance scheme. This was because the leaflet severely criticised the medical problems of South Korea (Won, 1990: 42).

[19] The separate funding system as the administrative structure of the Korean medical insurance scheme was designed by these high-ranking civil servants at the initial policy-making stage. Later,

At this time, the SSC was totally excluded from the policy-making process of the medical insurance programme, although the SSC was a research organ for the ministry. Why was the SSC excluded in the policy-making process in 1976? According to Choi Chun Song (1991), a former Head of the SSC, he presented his opposition to the government's plans with regard to the fee schedule and the administration system operated by separate funding societies in an academic seminar held by the Korean Medical Association in 1976. Thereafter, the executives of the MoHSA began intentionally to exclude the SSC from the policy process (pp.127-128).[20]

However, there is another side of the situation. Bureaucrats in the MoHSA discredited the members of the SSC. Because they were not regular-civil servants in the ministry, the elite civil servants had a tendency to look down on them and did not view them as social policy experts. Under the circumstances, it was difficult to expect good co-operation between elite bureaucrats and members of the SSC.[21]

In pursuit of medical insurance, the government reorganised the structure of the MoHSA. First of all, the Welfare Pension Bureau was turned into the Social Insurance Bureau. In the bureau, the Insurance Management Division and Insurance Affairs Division were established (Lee, 1989: 81).[22] Inside the ministry, policy makers had already established the principles of the medical insurance scheme before beginning policy-making details. Choi Soo Il elaborated these principles (Newspaper of the KMA, November 18 1976):

- For a comprehensive medical security system, the medical insurance scheme would be systematically linked with other social security programmes.
- The range of the beneficiary group would be selectively expanded according to the suitability of socio-economic conditions. This means that the scheme would not be immediately applied to the entire population. Instead, the compulsory

---

these civil servants formed an anti-reformist group to oppose the reform of the medical insurance scheme in the ministry during the 1980s and 1990s.

[20] From 1974, the research role of the SSC already began to weaken within the MoHSA. In the policy-making process in 1976, only Shin Sun Ki participated in the drafting process of the law from the SSC (Choi, 1987: 41).

[21] Interview with Yoo In Wang, Chief Editor of the Newspaper of the Korean Medical Association, on September 1 1999.

[22] Pension Planning Division, Pension Management Division and Research Division already existed in the Welfare Pension Bureau. These divisions in the ministry were automatically included in the new bureau.

scheme would be gradually expanded to classes of people according to economic feasibility.

- With regard to the financing of the scheme, the beneficiary would pay for the scheme in principle. The government would simply take the role of controlling sudden increases in insurance costs.
- An autonomous management system would be applied to the medical insurance programme. Thus, democratic and autonomous management as well as healthy finance of the scheme would be achieved through a funding-society system which is organised on the basis of occupational and local units.

According to the pronouncements of the government examined thus far in this chapter, we can establish the policy directions of the government. Policy makers tried to design the health care programme primarily focusing on: ① the minimisation of national finance; ② the financial stabilisation of medical insurance funds; and ③ the expediency of the insurance administration system. In other words, the government tried to avoid primary responsibility for medical insurance, and only to occupy the role of programme controller.

This policy direction was sketched by the Welfare Pension Bureau. So, why did the Welfare Pension Bureau take the responsibility for the architecture of the medical insurance scheme? As mentioned previously, Choi Soo Il suggested the implementation of the medical insurance scheme to Minister Ko Jae Pil[23] after six months' training abroad in 1975. The Welfare Pension Bureau, as the only governmental office in dealing with social insurance matters at that time, was assumed to be responsible for implementing the national pension programme within the MoHSA. But as the pension scheme was continuously delayed, Choi, as the head of the bureau, may have realised that the bureau was becoming merely a nominal post in the ministry. As a result, Choi may have sought to raise the issue of medical insurance to justify the existence of the bureau. Eventually, when the executives of the government determined to pursue a medical insurance scheme, it may have been obvious for the Welfare Pension Bureau and Choi to take responsibility for the architecture of the scheme.

---

[23] Minister Ko had been appointed as the Minister of Health and Social Affairs from December 1973

Simultaneously, it is interesting to discover that there was no communication between the Welfare Pension Bureau and other relevant offices in the ministry such as the Medical Policy Bureau, the Pharmaceutical Policy Bureau or the SSC in the policy-making process. In particular and notably, the SSC, the research organ of the MoHSA, was totally excluded from the medical insurance policy-making. In fact, to prevent this kind of administrative defect during the policy process, a special policy adjustment post was set up in the Office of the Assistant Minister for Planning and Management in the MoHSA. However, since the special post was ranked only at the same level as a chief of a bureau in the ministry, it was difficult for this specially positioned civil servant to exert powerful leadership to gain co-operation from other divisions in the ministry within the Korean bureaucratic environment (Choi, 1987: 41).

According to Han (1999), once the president had committed himself to a health care programme, a phase of deliberation followed. A small number of people in the MoHSA participated in the deliberations, which were not made public. With a potentially controversial decision such as medical insurance, great effort was made to avoid the mobilisation of any opposition. President Park appointed the new Minister of Health and Social Affairs, to whom he was known to be close, just before announcing the policy. The president's direct orders to the new minister gave him great power to pursue the medical insurance programme without strong resistance (p.221).

Thus, the lock-out style of policy-making was engaged in the policy-making domain to avoid any restraint from opposing sides not only from the government agencies but also from the public sector. Hence, only the minister and certain bureaucrats of the MoHSA took part in formulating the medical insurance scheme by the direct order of the president. Any chance of intervening in this policy-making by third parties, even in the ministry, was fundamentally blocked.

Choi Soo Il constructed the framework of the medical insurance law based on studies of the Japanese medical insurance system (Sohn, 1981: 93), just as much policy-making in the medical insurance scheme in the1960s had been based on the Japanese. In particular, the MoHSA decided to take the Japanese style separate-

---

to December 1975.

funding society system for its financial administration system. Why was the Japanese style of the medical insurance system mainly adopted in the policy process of 1976? In the policy process of the 1960s, the technical experts of the CoSSS (SSC in the 1970s) collected and studied many foreign cases of various health care programmes. The members of the CoSSS concluded the Japanese medical insurance scheme was relatively better fitted to socio-economic conditions at that time. However, in the policy process in 1976, the policy makers did not have much time to construct a legislative bill for medical insurance, so they used the previous legislative framework created by the CoSSS in 1962, for administrative expediency. It is evident that the policy process for medical insurance began after Minister Shin was appointed in the MoHSA in December 1975. The revised bill of the scheme was completed in December 1976. Therefore, policy makers only had less than one year to complete the project.

Secondly, the primary concern of policy makers during policy-making was financial. The policy makers concluded that the Japanese style funding system, which had a medical insurance administration system, possessed some characteristics which were in between a state-operated insurance scheme and a private insurance scheme. Therefore, government executives preferred the Japanese style of medical insurance system. Not only could the financial burden of the government be lessened, but also the separate funding system made it convenient for the government to expand gradually the beneficiary population covered by the scheme. Hence, the government was able to prepare the implementation of the scheme in such a short time, basing it on the Japanese style of medical insurance system. Han (1999) supports this argument. He stresses how Japan never introduced the concept of a modern welfare system in Korea during the annexation period. This means that many Korean bureaucrats ironically preferred to adopt the Japanese scheme, and then followed the Japanese model with simple modifications because of the similarity of social components, ease of managing the fund and competitive business sense which the Japanese administration system possessed (p.195).

Other policy-making institutions strongly opposed the medical insurance design of the MoHSA. First of all, the SSC criticised the attempts of the MoHSA to cover a particular middle class rather than people at risk, and stressed the following

(Choi, 1987: 42):

> Adopting the medical insurance scheme is not a simple measure which can be accomplished by adjustment and supplement for any particular class...Thus, a solid and comprehensive approach should be attempted with the medical insurance programme in order to reduce the financial burden of citizens and for government. So, it is necessary for the government to have more time to carefully review this system.

Meanwhile, the EPB attacked the design of the separate funding administration system. The EPB argued that (Choi, 1987: 42-43):

> The separate funding administration style of the medical insurance system will eventually lose its administrative control and produce financial deficits. According to the MoHSA, the funding societies will be ultimately unified in the long term but it is indeed impossible to be achieved. Hence, the EPB insists on managing the medical insurance scheme under government authority.

Regarding the administration system of the scheme, Nam Duk Woo, Deputy Prime Minister and Minister of the EPB, and Shin Hyun Hwak, Minister of Health and Social Affairs, were at one point in confrontation because of these opposing views towards the administration system of the scheme. Eventually, Minister Shin agreed that the fragmented administration system of the medical insurance scheme needed to be unified in the future when the medical insurance scheme had settled.[24]

Despite debates from other government institutions against the programme design of the MoHSA, the Medical Insurance Act was legislated in November 1976. This was because the MoHSA succeeded in convincing President Park in a meeting held in the Presidential Residence. Although there were serious debates held in the process of obtaining sanction from the president, the MoHSA successfully argued that the new medical insurance programme would not damage national economic growth and would also be successfully launched. Minister Shin stressed that the medical insurance scheme could be implemented without any government subsidies (Han, 1999: 216-218). And he convinced the president.

As we have seen so far, the MoHSA exerted a significant role in medical

insurance policies in the 1970s. In comparison to the National Welfare Pension programme, which was initiated from the efforts of the Economic Planning Board (EPB) and the Korea Development Institute (KDI),[25] the role of the EPB and the KDI was weak in the case of medical insurance. The most influential organs in the government were not able to influence the policy process of the programme because the direct order of President Park to the MoHSA granted much more power in formulating the programme to the MoHSA. For the purpose of building the medical insurance programme, the president brought Shin Hyun Hwak, who enjoyed the president's high regard, into the position of Minister of Health and Social Affairs. Appointing Shin as minister was an expression of the strong intent by the president to enact medical insurance. Minister Shin was not only a man trusted by the president but also one of the most influential bureaucrats and politicians in the government. These credentials were enough to raise the position of the MoHSA in the government at least in this particular policy process. Additionally, the direct order to the minister and the MoHSA from the president to set up medical insurance added more bureaucratic power in the policy process. As a result, the power of the EPB was unusually weak. One of the best examples demonstrating this situation is observed in the debate between the MoHSA and the EPB in reference to the administration system of the scheme. Although the EPB opposed the idea of the separate administration system introduced by the MoHSA, the MoHSA was able to carry on its managerial idea despite this split with the EPB in this case.

3.9 Participation of Interest Groups in the Policy-Making

Through the 1960s and 1970s, involvement of interest groups in the policy-making process is seldom apparent. Those actors key to implementing the medical insurance scheme had only a minimal role. These key actors in the initial stage of the policy-making can be defined as the Korean Medical Association (KMA: as the service provider), the Federation of Korean Industry (FKI: as the insurer) and the Federation of Korean Trade Unions (FKTU: as the insured). However, none of these three interest groups actively realised demands on the government during the

---

[24] Interview with Yoo, Chief Editor of the Newspaper of the Korean Medical Association.

[25] President Park established the KDI under the EPB as a most influential think tank for economic policy-making in 1971. Most ideas of social policy as well as national economic policy came from

formulation of medical insurance.

A. Enterprises

When the government began to reconsider medical insurance in the mid-1970s, interest groups started to express their demands to the government. First of all, the FKI initially opposed the implementation of medical insurance because of the financial burden on enterprises. However, Minister Shin successfully persuaded the FKI to support the medical insurance plan of the government (Chung, 1993: 511). Considering his background, his strong influence in the entrepreneurial arena is understandable. Minister Shin had worked as a high-ranking civil servant in the Ministry of Commerce and Industry for a long time and was appointed as the Minister of State Reconstruction thereafter. He also worked as chairman in a few private companies. Hence, it was clear that he had a wide circle of acquaintances in the business sector, and this relationship influenced decisively his ability to draw entrepreneurs into the medical insurance scheme.

During the minister's attempts to persuade the FKI, the executives of the FKI realised the intention of President Park. Thereafter, the FKI accepted the idea of the programme and started to persuade members to join the programme. Meanwhile, the FKI demanded that the government: ① select the separate-funding society system; ② guarantee the autonomy of management of the funding society; ③ set a preparatory period before the implementation of the scheme; ④ provide tax incentives to private sectors; ⑤ have a fee schedule set by the government; ⑥ gradually expand to a compulsory scheme; ⑦ subsidise the costs of administration; and ⑧ carry out the scheme only in businesses hiring 1,000 or more employees, rather than 500 or more (Kim, 1994: 215-216).

As a response to the demands of the FKI, the government allowed the FKI to manage 486 funding societies in the private sector. Accordingly, the National Association of Medical Insurance (NAMI)[26] was established under the FKI. Kim Ip Sam, Vice-President of the FKI, was appointed as the president of the NAMI.[27]

Previously, it was shown why policy makers in the MoHSA adopted the

---

this institute.

[26] The NAMI was later expanded to the National Federation of Medical Insurance.

[27] In fact, when the MoHSA faced objections over the separate funding system from the EPB, it

separate-funding administration system. In short, there were two reasons: ① for administrative expediency, to implement rapidly the medical insurance programme, and ② to minimise the financial responsibility of government. However, why did the FKI agree to accept the separate-funding administration system, and why did the FKI decide to operate the funding organisation?

First of all, if the enterprise itself managed the funding system of medical insurance – in other words, if the employer became a representative of the funding society of a private sector, this system could be a measure capable of making the trade union powerless (Kim Y.M., 1989: 109). Second, the enterprise was likely to want to use the reserve fund of its own funding society, as it could expect extra benefits from the banking institutions, such as special loans and so on, when they deposited a huge amount of insurance contributions. Regarding this matter, the FKI in December 1977 proposed that the government provide tax exemption for the interest income earned from the deposits of the reserved fund (Kim, 1994: 218). Furthermore, we cannot ignore the possibility that the FKI was planning to adopt or convert the funding system to a private health insurance scheme in the future.[28]

Kang (1992) employed Starr's perspective that "the proponents of social insurance also expected that it would increase industrial productivity by creating a healthier labour force"(p.280). And he accordingly argued that one of the reasons for initiating the Medical Insurance scheme instead of the National Welfare Pension programme was that "employers were advocating a medical insurance system for their workers largely because medical insurance is helpful for the maintenance of healthy workers" (p.280). However, this interpretation from a Marxist perspective leads to a contradiction in explaining this particular circumstance. In fact, the Korean Federation of Industry (KFI), the most representative institution of business in Korea, opposed the initiative of a medical insurance programme for financial reasons. In order to implement the scheme successfully, the co-operation of the entrepreneur was a key solution. Thus, the executives of the government had to persuade the representatives of the KFI of the case for medical insurance. In this regard, the government provided the KFI with big advantages in managing the

---

asked the FKI to support the separate funding system (Kim, 1994: 216).

[28] The private sector has tried to expand private-health insurance markets for a long time. At the end of 2001, the task force of the government announced the possibility of adopting a private medical

funding system. Thus, Kang's argument is far from an adequate explanation of the initial response of the private sector.

But we can find some room for Kang's point of view. The FKI knew that they eventually would not have any choice except to participate in the medical insurance scheme, as President Park had shown his strong intention to enact the scheme at this time. More importantly, the Korean entrepreneur depended on the government's actions more in the 1970s than at any other period because the existence of the private sector desperately relied on the economic policy of the Park regime. In particular, since the five-year economic development plan was introduced by the Park regime, the Korean entrepreneur had been under significant restraints in terms of the degree of necessary political co-operation with the government.

Consequently, the enterprise sector had been pressured into the participation in the national pension and medical insurance programme without a specific timetable of implementing the programmes. From the entrepreneur's point of view, the implementation of the National Pension scheme might not be necessarily beneficial. Because most private sectors had provided their own severance payment system for their employees, engaging in another state-operated welfare programme meant another governmental control over the private sector. Thus, as the private sector had to accept the health care programme of the government in any case, they would rather prefer a medical insurance programme because the health care scheme could provide at least some advantages to the private sector in terms of producing healthy workforces and controlling trade unions.[29]

B. The Physicians

The KMA also opposed the medical insurance plan at the initial stage. In the mid-1970s, when the formulation of medical insurance was activated in the MoHSA, the KMA had already attacked Ko Jae Uk, the Minister of Health and Social Affairs, with a warning that (Sohn, 1981: 91):

---

insurance programme (MoHW, December 2001).

[29] From the viewpoint of big business (who were the key members of the FKI), the implementation of medical insurance did not bring serious negative impacts on the financial concerns of employers

> If a medical insurance scheme is implemented, the government will be in trouble similar to that in which Japan and Britain have already been. Japan is now struggling with the financial deficit in the medical insurance programme. Also, Britain has experienced side effects from welfare provisions.

According to Choi (1987), pressures from the KMA significantly influenced ministerial decisions. When high-ranking civil servants who were sent to foreign countries to collect data of welfare programmes and train as social security experts returned to the ministry, they suggested that the minister carry out a medical insurance programme. But Minister Ko opposed the suggestion because of pressures from the KMA (p.31). It seems clear that the lobby of doctors was somewhat influential in the decision of the minister under the authoritarian regime.

However, the government strongly persuaded the KMA at this time with promises that it would guarantee the autonomy of doctors in the making of fee schedules. Like the FKI, the KMA had to co-operate with the government in implementing the medical insurance scheme. However, their ultimate goal was to achieve the best fee schedule deal from the government prior to implementation . In the meantime, the KMA insisted that the representatives of the KMA take part in the deliberating committee and examining committee (Newspaper of the KMA, July 15 1976). The KMA also emphasised that the government should guarantee the participation of all medical doctors in the medical insurance programme. But most of all, the most important concerns of the KMA were to keep professional autonomy and to obtain a better deal for fee schedules after fulfilling a medical insurance scheme (Kim, 1994: 219-221).[30]

Thus, the participation from the physicians was critically essential for the government to carry out medical insurance successfully. This made it possible for the KMA to achieve its demands better than other interest groups. On the other hand, even though the KMA initially opposed the medical insurance scheme because of concerns about losing its professional and economic autonomy in the medical market, the implementation of the medical insurance scheme also had positive aspects for physicians. This was because the compulsory medical insurance scheme

---

because they had already assisted in some amount of medical fees for their employees.

[30] However, the government decided on a much lower rate (45% lower) for the fee schedule than the original one in order to lessen the financial burden on the government

was likely to improve the low level of utilisation both in clinics and hospitals (Han, 1999: 220).[31] Ultimately, the government and the KMA were enabled to engage in an inter-dependent relationship in implementing the scheme.

C. The Trade Unions

Unlike the FKI and the KMA, the FKTU did not actively associate itself with policy-making. It only suggested that the government: ① expand the coverage scale to the siblings of the insured; ② allow workers and trade unions to take part in the managerial board of the NAMI; ③ subsidise all administration fees and part of the contributions for employees; and ④ approve that the insured pay one third of the contributions and the employers pay two thirds (Kim, 1994: 218).

Farmers and the self-employed in 1976 were totally excluded from the policy-making process, and from coverage. However, they did not have any official channel to express or resist their exclusion from the programme (Han, 1999: 219).

[31] According to Han (1999), a 1973 KMA hospital survey demonstrated that the mean occupancy rate for private hospitals averaged between 55.4% and 61.0%. The 1976 survey of clinics by the KMA showed that physicians in private clinics received approximately 15 patient visits per day. Thus, Korean physicians were underused compared with an average 50 patient visits in the US (p.220).

Conclusion

Throughout the 1960s, the foundation of social security in Korea was built mainly by the efforts of the members of the Social Security Committee (SSC). There were neither social policy expertise nor many social policy supporters in the government. However, committee members used mostly informal channels inside the authoritarian military junta. As a result, the idea of having a proper social security system was spread by a few supporters among executive cabinet members in the Supreme Council. And the ideas of the committee influenced the leader of the regime in determining to set up basic legislation for a social security system.

In the 1970s, a small number of civil servants in the MoHSA performed a crucial role in setting up medical insurance. Although the SSC members already possessed sufficient data and knowledge about social insurance programmes, they were completely excluded from being key players in the policy process. The strong political desire of President Park to launch medical insurance made the policy makers accelerate the formulation of the programme. However, as the government wanted to build the medical insurance scheme while avoiding damage to continuous economic growth and minimising the financial expenditure, the medical insurance scheme initially covered only a certain group and excluded people in urgent need.

Thus, it is clear that the legislation of the medical insurance scheme started from the leader's hands. Park Chung Hee, as the leader of the Supreme Council and the president, decided the policy objectives and the fact of implementation of the medical insurance scheme himself. As the government executives did not have adequate knowledge and understanding of social security, they did not have the capability to create and discuss the social security plan. Only a few SSC members were able to convey professional ideas about social security systems to a few executive cabinet members. However, SSC members were not in the proper position to contact the leader directly. Fortunately, the idea was indirectly passed to the leader by some council cabinet members and significantly influenced some crucial decisions of the president.

Under the authoritarian regime from the 1960s to 1970s, as the political intention of the leader was easily and rapidly reflected in the policy agenda, the political decision of Park to enact a medical insurance system enabled the government to carry out immediately the administrative processes necessary. Once

the president determined the plan of medical insurance, he launched the plan quickly in the confined policy-making institution and worked with a small select number of officers. The degree of elitism and institutionalism was significantly high in the decision-making process of the NHI scheme during this period. A certain group of bureaucratic elites and a limited number of government institutions participated in the policy precess. The state autonomy was strong in the policy-making process. In this stage, the political reasons were more influential than the economic variables in explaining the development of the Korean medical insurance programme.

Secondly, since interest groups could not aggressively achieve their demands and sufficiently pressurise the government during the policy process under this authoritarian environment, this circumstance provided administrative convenience for the policy makers to push forward the implementation of the programme without serious resistance from these interest groups. Although some interest groups achieved some of their demands with the policy-making institutions, they had limitations on expressing their interests and ultimately had to co-operate with the government plan at all stages. Thus, state-corporatist approach is applicable to explain the development of NHI policy during this period. Since the government needed cooperation from certain organisations such as the KMA and the FKI in order to operate the medical insurance programme, the government provided some concessions to garner their supports.

Thirdly, it is difficult to fully support the logic of industrialisation in relation to the start of the NHI scheme. This was because the initiative of the scheme was more associated with the political reasons, strengthening the legitimacy of the military regime.

Fourthly, there was no working class involvement in the policy process of the NHI scheme during this period. Therefore, it cannot be said that the initiative of the Korean medical insurance programme was influenced by the pressure of the working class.

However, as the medical insurance scheme was unilaterally formulated at the administrative expediency of the government without considering the needs of the prospective insured groups, the medical insurance scheme produced problematic outcomes and eventually faced severe reform pressures from the beginning of the 1980s.

CHAPTER 4. THE FIRST DEBATE ABOUT THE REFORM OF THE NHI[1] (1980-1983)

This chapter focuses on the first medical insurance reform initiatives. In particular, it looks at the origins of and motivations for these first attempts at reform in the early 1980s. Furthermore, it shall also consider who participated in the NHI policy process and what the reformist and anti-reformist (conservative) groups wanted to achieve.

On October 26 1979, Korean society was thrown into a political vacuum when President Park was assassinated. The acting president, Choi Kyu Ha, the prime minister, did not exercise sufficient political control over the military, led by General Chun Doo Hwan (Kim, 1986: 42-44). Accordingly, the situation was resolved when Chun was elected (after a cosmetic election in which he was the only candidate) as president on August 27 1980.

The 1980s was the most important period in terms of developing and implementing the NHI scheme, and was marked by political conflict between reformist and conservative policy makers. These conflicts involved professionals from the academic and medical sectors, as well as farmers and labour unions. In particular, the second reform debate in the mid-1980s was part of a deliberate movement to achieve social rights from the bottom upwards, involving solidarity between farmers, labour workers and professionals. In comparison to the second debate, the first reform debate originated largely from within institutions of government and was introduced by certain policy makers, with limited participation by professionals from outside the government.

4.1 The Socio-Political Changes in the 1980s

After the assassination of President Park Chung Hee, there were hopes for the end of military-authoritarian rule, despite the legacy left by President Park of huge economic development achieved within only fifteen years. However, this did not

[1] The proposed reforms to the NHI scheme sought to unify the separate administration system as well as to reform its financial system. To an extent this was also an attempt to develop welfare values

come true. After the death of President Park, General Chun Doo Hwan assumed presidential power in Korea through the political turmoil known as 'the 12-12 coup' on December 12 1979. As state leader, he exercised repressive authoritarian power (Clifford, 1994: 152).

Although both President Park and President Chun took power through military coup d'état, the socio-economic conditions were not the same, and consequently their agendas and leadership styles (although both authoritarian) were different. While Park's agenda was economic *development,* Chun sought to legitimise his regime through a policy of economic *stabilisation.*

In the social policy sphere, the government's intentions to develop the National Health Insurance scheme (NHI) and in introducing the National Pension scheme (NP) were evident in its declarations. Whereas the Park government merely focused on passing various welfare laws for political expediency (especially to legitimate the military government), the Chun regime in the 1980s instead sought to develop the NHI scheme and actually to implement the NP scheme.

4.2 Implementation of the NHI Scheme and Its Fragmented System

By revising the Medical Insurance Act in December 1976, the National Health Insurance scheme (NHI) was implemented from July 1 1977. Large firms (hiring 500 or more employees) were initially covered, with the scheme expanded rapidly to cover firms hiring 300 or more employees in 1979, 100 or more in 1981 and 16 or more in 1982. From January 1 1979, the NHI scheme for government employees and teachers in private schools began. In addition, the pilot NHI programmes for the self-employed and employees who were excluded from NHI were simultaneously carried out in three rural districts from July 1981 and then three more rural districts in July 1982.

---

as part of a social service programme.

Table 4-1 Insured Population in the NHI Scheme

Current Data on July 31 1982 (Unit: '000, %)

		Target Population*	Insured Population	Non-Insured Population	Insured Ratio (over entire population)
Total		39,331	16,312	23,019	41.5
NHI	Total	35,603	12,584	23,019	35.3
	Category I [2]	9,749	8,049	1,700	82.6
	Category II	22,049	730	21,319	3.3
	Gov.Employees & Teachers	3,805	3,805	-	100
Medical Aid		3,728	3,728	-	100

Source: Ministry of Health and Social Affairs, *The Circumstances and Assignments in the National Health Insurance,* September 1982, p.7.

* Target population refers to those eligible to receive NHI benefits.

Until the revision of the Medical Insurance Act in 1976, there were neither controversial debates nor issues raised within government regarding the implementation of medical insurance. There *were* opinions regarding ways of managing the NHI scheme held by those within government, but critically they did not generate political discussions. The government was presented as being resolved for the long-term development of the NHI scheme (Yoo, 1996: 157). Only after implementation in 1977 were problems in management system discovered.

The first action taken by the Ministry of Health and Social Affairs (MoHSA) was to set up the *Plan for Merging and Abolishing Medical Insurance Funding Societies* on February 20 1980. As mentioned in the previous chapter, the NHI scheme was based on a fragmented approach to managing, where medical insurance funding societies had to manage any insurance matters such as contributions and funds, the level of contributions, the eligibility and benefits of the insured and so

[2] The NHI scheme for employees working in private sectors was classified as Category I. The pilot NHI programme for the self-employed [excluded from Category I, and the insurance for government employees and teachers in the private school] was Category II.

forth. When NHI was initiated in July 1977, the funding societies flourished everywhere where there were insurers large enough to pay; big businesses commonly had their own, and smaller ones clubbed together and used locally-based funds (Cha, 1992: 319).[3]

In the *Plan for Merging and Abolishing Medical Insurance Funding Societies* in 1980, the MoHSA pointed out problematic issues occurring under the fragmented administration system (Cha, 1992: 319):

Table 4-2 The Number of Funding Societies by the Number of the Insured

No. of Insured	Total	Under 1,000	Under 3,000	Under 5,000	Under 10,000	Over 10,000
No. of Societies (Component Ratio)	602 (100%)	229 (38%)	221 (37%)	65 (11%)	52 (9%)	35 (5%)

Source: Ministry of Health & Social Affairs (1980), *The Plan for Merging and Abolishing Medical Insurance Funding Societies.* Quoted from Cha, H.B. (1992) 'Developing Process of Medical Security Scheme in Korea', in Rhee, D.H. et al. *National Medical Security,* p.320.

- 130 funding societies – 22% of the total – were in financial danger. Small funding societies would not be able to achieve adequate financial stability. More problems would occur after the expansion of NHI to firms hiring 300 or more employees.
- With any changes in the business such as bankruptcy, suspension or other shutdown of the member firms of a funding society, the society would be consequently vulnerable financially.
- Income redistribution and risk pooling, the principles of a social insurance scheme, would be limited within each funding society.

As seen in Table 4-2, 75% of the total number of funding societies were small in size with each society covering for about 3,000 or fewer insured persons. In terms of economics, those small funding societies had created inefficiency in management. Thus, the objective of the plan was to disband 450 small-sized

[3] 603 funding societies were established by 1979 (Cha, 1992: 319).

funding societies which were comprised of 300 or fewer insured persons and then replace them with joint, larger-sized, funding societies that had 3,000 or more insured persons in order to increase efficiency.

4.3 Reform Initiative of Minister Cheon

Meanwhile, Cheon Myung Ki was appointed as the new Minister of Health and Social Affairs on September 2 1980. The leaders of the country had not considered the Ministry of Health and Social Affairs as a major post in the government at the time, in contrast to economically relevant ministries such as the EPB. Thus, the position of the Minister of Health and Social Affairs had usually been given to an opposition member or a female politician for political reasons. Accordingly, Minister Cheon was appointed to the position just after the presidential election for the political reason that Cheon was a politician from the opposition, being in the Chief Secretariat of Kim Dae Jung, leader of a strong opposition party. It was necessary for President Chun to alleviate uprising negative sentiments in the political and popular sectors against the military coup led by Chun.

Soon after his appointment, Minister Cheon organised his advisory committee and ordered them to report on current issues and problems in NHI. The minister also ordered the committee to prepare a proposal for improving the scheme. Members of the Social Security Committee (SSC) were mainly involved in the advisory committee. From this point, the advisory committee started to study the idea of unifying the NHI administration system.[4]

Minister Cheon had received various advice from scholars and committee members, especially from Lee Kwang Chan, who strongly influenced Cheon's policy agenda. Lee, a member of the SSC and a Special Assistant of the Minister, was a reformist in the ministry and possessed a constructive idea for the medical insurance reform. Through the *Proposal for Improving and Developing the Social Security Scheme in Korea,* he delivered collaborative arguments and policy directions in terms of developing the social security of Korea. In particular, he explained clearly current issues in NHI and considered the prospects for the NHI

[4] Interview with Cheon Myung Ki, former Minister of Health and Social Affairs, on September 27

scheme. He proposed that the government would ultimately need to unify the separate NHI system and also suggested the developmental stages for this (Lee, 1980).

Furthermore, Cheon met with the Japanese Minister of Health and Welfare to discuss his ideas regarding NHI reform. The Japanese minister explained to him that Japan had already tried to unify its fragmented medical insurance system, but failed because of conflict between institutional interest groups. The Japanese minister encouraged Cheon to take action on reform before "the bones of the NHI scheme stiffened."[5]

Minister Cheon, on his own initiative, decided to unify the separate NHI administration system after much hard work collecting and studying data. He had a clear point of view regarding the problems existing in the current scheme. At this time, however, there was no political pressure to reform from other levels of government, according to Cheon. There was no interest at all in this issue from either the public or government.[6]

The main reasons Minister Cheon decided to reform the NHI scheme were that:[7]

- Inefficiency existed in managing the NHI scheme because two administration systems – the *Korea Medical Insurance Corporation for Government Employees and Private School Teachers* (KMIC) and the *National Conference of Medical Insurance Societies* (NCMIS) – operated in one national health insurance scheme.
- These two administration systems used two different computer systems.

As a result, the cost of managing the NHI scheme was excessively high. Thus, the minister determined to unify administration systems – especially the computer and financial systems. In order to accomplish this, he also set up longer-term plans to unify gradually the fragmented NHI funding bodies under one parent organisation, with this parent organisation established first. This gradual plan was to

---

1999.
[5] Ibid.
[6] Ibid.

avoid any resistance from funding societies prompted by sudden unification.[8]

On September 30 1980, Minister Cheon ordered the MoHSA civil servants to study a national corporation style-administration system, which planned to merge the various funding societies and the KMIC. However, the MoHSA civil servants, embarrassed, asked for suspension of the plan because civil servants had been implementing a different project, the *Plan for Merging and Abolishing Medical Insurance Funding Societies,* which the former minister ordered just before Minister Cheon came to the ministry. The civil servants in the MoHSA were ready to pursue the second stage of the previous plan. In addition, most officers were not familiar with Cheon's reform project. As this reform had not been seriously discussed in the ministry until then, civil servants were confused by new orders from the new minister. At this point, it is necessary to note that there was no administrative relation between Minister Cheon's reform plan and the *Plan for Merging and Abolishing Medical Insurance Funding Societies.* While the Minister's plan was to integrate fragmented funding societies under a state run-administration system for a long-term reform, the previous plan of the ministry was to merge small-sized, funding societies as a short-term measure to avoid increasing inefficiency.

However, Minister Cheon strongly recommended suspension of the second stage of the previous plan. Furthermore, he organised the *Promotion Committee for Unifying the Medical Insurance Administration System,* on October 2 1980, constituted by the MoHSA civil servants, even while some of them were still insisting on implementing the second stage of the previous plan (Yoon, 1984: 40). We can possibly assume that the opposition group already existed in the MoHSA from the beginning of the reform debates.

On October 15 1980, Minister Cheon reported to President Chun that the MoHSA had been examining a plan to unify the fragmented NHI administration system.[9] Meanwhile, Cheon faced resistance reporting this reform plan to the president. He wanted to obtain the president's sanction for the reform before the former's U.S. business trip, but the Chief Officer of the Second Secretariat Office of State Affairs in the Presidential Secretariat Office blocked him from meeting the

---

[7] Ibid.
[8] Ibid.
[9] Ibid.

president. Moreover, the chief officer asked the minister to review fully the plan once more after his U.S. business trip. The Second Secretariat Office of State Affairs in the Presidential Secretariat Office was in charge of dealing with issues of health and social affairs. And the office also reported on those matters to the president. President Chun heavily relied for social policy matters on Yoon Sung Tae, the senior officer in the Presidential Secretariat Office.

Why did the Presidential Secretariat Office try to stop Minister Cheon? It was anti-reformist civil servants had already persuaded the Presidential Secretariat Office to oppose the reform. Cheon believes that the officers in the Presidential Secretariat Office might have been afraid of the minister meeting the president to discuss the NHI reform plan; President Chun possessed a quick decision-making style, and it was possible that the president might immediately approve the plans.[10]

There was a bond between the Presidential Secretariat Office and the anti-reformist side in the MoHSA involved with Youn Sung Tae and Kim Jong Dae, the senior officer and the officer in the Presidential Secretariat Office. They were highly ranked civil servants supporting the separate NHI system within the MoHSA, and they were sent to the Presidential Secretariat Office from the MoHSA in order to assist health and welfare matters. They also acted as main key policy makers with Choi Soo Il when the Medical Insurance Act was revised under the separate administration system in 1976.[11] (Choi Soo Il was Head of Social Insurance Bureau in the MoHSA in 1976) Kim Jong Dae was a Director of Insurance Management Division under the Social Insurance Bureau in 1976. Youn Sung Tae worked in the Presidential Secretariat Office in 1976. They all participated in the policy process and chose to revise entirely the Medical Insurance Act of 1976 towards a fragmented medical insurance system (Park, 1996). In any case, they were strongly committed to protecting the separate system to which they had contributed. In the beginning of the 1980s, as Choi Soo Il[12] worked in executive positions in the MoHSA, it was

---

[10] Ibid.

[11] See Chapter 3.

[12] He was positioned in the MoHSA as the Head of the Health Bureau in 1980, the Vice-Chief of the Office of Environment in 1981, the Assistant Minister for Planning and Management, and the Chief of the Office of Environment in 1983. He also became the Vice-Minister of Health and Social Affairs in 1986 and the President of the National Federation of Medical Insurance in 1990 (Park, 1996).

possible for them to create a strong relationship between the Presidential Secretariat Office and the MoHSA.

Furthermore, as the MoHSA civil servants were in charge of managing the funding societies, they had developed a strong bond with those funding societies. The MoHSA was in charge of approving the establishment of funding societies and appointing a managing director to a funding society. Some of the MoHSA civil servants thus maintained a strong relationship with the executives of funding societies and the National Conference of Medical Insurance Societies (NCMIS). For instance, until August 1982, the managing directors of 75 funding societies out of 145 in NHI Category I were appointed by the MoHSA (Yoon, 1984: 52). Senior civil servants in the ministry were also positioned in the executive seats in the National Federation of Medical Insurance (NFMI) (the later title of the NCMIS) when they retired from the ministry. Choi Soo Il and Youn Sung Tae were also appointed as the president of the NFMI after their retirement. This kind of bond was established not only with the MoHSA civil servants but also extended to the group of politicians, the retired military, and so forth. This point is brought out in the next chapter.

After reporting the reform plan to the president, civil servants in the MoHSA officially started to develop a plan for NHI reform. The MoHSA set up a reform-timetable. The MoHSA wanted to reform the current medical insurance programme for a number of reasons.[13] According to the *Proposal for Improving the NHI Scheme*, the MoHSA stressed the problems contained in the current NHI scheme as stated below (MoHSA, November 1980):

- Limited income redistribution and risk pooling.
- Complicated, and therefore expensive management system.
- Different calculating methods for contributions and different benefit provisions between funding societies.
- Inconvenient management services for the medical institutions and the insured.

[13] Lee Kwang Chan, a member of the Social Security Committee (SSC), participated in the project under the title of Special Assistant to the Minister. Civil servants in the Social Insurance Bureau in the MoHSA also joined the process (Cha, 1992: 321).

- High expenditure of the NHI administration budget.
- Possibility of improper use of the NHI funds by employers in private sectors.

In addition, the proposal suggested policy directions towards which the government should drive (MoHSA, November 1980):

- Formulating the basis of a heath care system for the entire population up to the beginning of the 1990s.
- Developing the current fragmented social insurance programmes into a unified system in order to maximise risk pooling and financial pooling.
- Achieving fairness raising NHI funds.
- Equal provision of NHI benefits to the insured.
- Minimising the NHI budget, avoiding unnecessary waste and maximising efficiency of the NHI management by unifying the separate administration systems.
- Good co-operation among the insured, the employer, the public, medical workers etc. to participate in the NHI management.

Under those policy directions, the MoHSA suggested organising a single national level health care programme through unifying the fragmented funding system. In order to achieve this, the MoHSA also suggested developing the plan gradually to avoid rapid expansion of the national budget (MoHSA, November 1980). The Promotion Committee for Unifying the Medical Insurance Administration System completed the *Proposal for Unifying the Administration System of the Medical Insurance.* The deputy prime minister and the prime minister approved the proposal on November 4 and 6 1980 respectively (Cha, 1996: 181; Yoon, 1984: 40). Two suggestions were put forward in the proposal. One was to unify the KMIC and the NCMIS, and then to set up a national corporation. The second plan was to keep the KMIC independent but to unify the funding societies under the NCMIS. Then the NCMIS would be reorganised as a national corporation (MoHSA, November 1980).

The main points of the reform plan can be summarised as follows (Cha, 1992: 321-322):

- Central management of the NHI funds.
- Unifying the contributions rate.
- Uniformity of benefits among funding societies.
- Maximising the effects of income redistribution and risk pooling.
- Improving social solidarity.
- Developing medical provision.
- Removing complicity and wasteful expenditure in the administration system.

The arguments of the MoHSA regarding the unification plan were that (Cha, 1992: 322):

- It would be difficult to expand the NHI scheme to cover the entire population under this separate administration system in the future.
- Even if NHI expanded its coverage, there would be different funding capabilities between funding societies.
- Therefore, there was a strong possibility of unequal distribution of insurance benefits to the insured.

4.4 Resistance to Reform

4.4.1 Mass Media

Reactions from the anti-reformist side began to arise against the reform. To preserve the separate administration system from the reform movement, the NCMIS, the FKI, and big business entrepreneurs established a firm bond with the anti-reformist civil servants and the Presidential Secretariat Office. Under the support of the mighty Presidential Secretariat Office in particular, the anti-reformist side was able to respond promptly and aggressively over the reforming action.

At the beginning, the anti-reformist side delivered its arguments through the media. Except the Kyung Hyang Newspaper, most major newspapers opposed the reform. They supported the arguments of the opposition groups against the NHI reform. The reform was a sensitive issue for the major media enterprises because they were also a part of the large private sectors involved directly in the medical

insurance as the insurer (employers) and as the insured (employees). Thus, anti-reformist groups and the media enterprises shared a common interest.[14]

Most of the journalist groups in Korea played a very limited role by delivering only the opposition sides' arguments without sufficient research, with the exception of the Kyung Hyang Newspaper, which dealt reasonably with both sides. Indeed, it delivered a clear and specific argument in support of the reform. This was caused by a personal interest in the reform and the research effort of Park No Kyung, chief editor of the newspaper company. On November 3 1980, it reported the reasons underpinning the groups opposed to NHI reform through the editorial column, titled *"The NHI scheme should be unified."* (Kyung Hyang Shin Moon, November 3 1980):

- If the NHI reform is completed, the employers as the NHI insurers in the private sectors would not be able to control the NHI contributions because the unified NHI administration body would strictly supervise the use of contributions.
- If the rate of contributions is increased, the financial responsibility of the employers would also increase.
- The opposition sides have argued that the reform would worsen the relationship between the employer and the employee. However, the fundamental purpose of pursuing the NHI scheme is to achieve a welfare state rather than for employers to provide charitable and paternalistic services for their employees.

4.4.2 Presidential Secretariat Office and MoHSA

From November 12 to November 15, civil servants from government institutions met to discuss the proposed reform. In the meeting, they reached an agreement to unify the system. This meeting was held under the supervision of the Administrative Co-ordinating Office of the Prime Minister's Office. The civil servants attending the meeting were the Senior Officer from the Second Secretariat Office of State Affairs in the Presidential Secretariat Office, the Chief Officer of the Administrative Co-ordinating Office in the Prime Minister's Office, the Chief Officer from the Budget Office in the Economic Planning Board (EPB), the Head of

[14] Interview with Cheon, former Minister of Health and Social Affairs.

the Planning Bureau in the EPB, and the Head of the Social Insurance Bureau in the MoHSA (Cha, 1996: 181). The meeting proposed two ways for the reform – the same as the Promotion Committee's.[15] Through the meeting, they concluded that the Minister of Health and Social Affairs should decide on one of the two options (Cha, 1992: 322).

The MoHSA reported the *Proposal for Unifying the Administration System of the Medical Insurance* to President Chun on November 17 1980. But once again, President Chun put the proposal on hold. The Presidential Secretariat Office suggested that this required "more research and review on the proposal" (Cha, 1996: 181). The Presidential Secretariat Office wrote the *Written Opinion on Reviewing the Proposal for Unifying the Administration System of the Medical Insurance.* This paper crucially influenced the president in his decision to suspend the NHI reform.[16] This paper included almost the same opinions regarding unifying issues as those of the NCMIS. They pointed out that the separate NHI system was carefully selected to avoid burdening national finances and to prevent 'the welfare disease' Western countries had experienced. As the current NHI scheme was designed to fit into the socio-economic circumstances of the country, the NHI reform would demand the entire restructuring of the NHI system. The Presidential Secretariat Office also indicated the potential problems that may follow as a result of the NHI reform (Yoon, 1984: 60, 80):[17]

- Financially: farmers and fishermen would demand that the government financially support contributions at the same level as the current government support for Category I, and for government employees and private school teachers. Hence, the NHI budget of the government would be significantly increased. Thus, if the financial condition of NHI became worse, it would be inevitable for the government to intervene in the scheme.
- Enterprises and employees: the increase of contributions would increase the financial burden on the private sector. Hence, international trade competition

[15] See p.104 in this chapter.
[16] With their power, they organised strong opposition in alliance with the NCMIS and the funding societies. This powerful alliance had actively and continuously influenced the policy process of NHI reform during the entire 1990s as well as the 1980s.
[17] Their arguments over the reform were very similar to those of the business sector and the NCMIS.

and the relationship between employers and employees would deteriorate.

- Politically: the unified administration system would eventually become a state-based administration system so that it would create direct conflict between the government and the insured. Therefore, the government would have the entire responsibility for national health care.
- The management of the scheme: the reform would create a large bureaucracy in the management system, and consequently result in inefficiency.

This paper concluded that since the proposal of the MoHSA demands the entire restructuring of the current NHI scheme, it would be difficult to approve the proposal (Yoon, 1984: 60).

On December 3 1980, another meeting was held to amend the MoHSA proposal in the Administrative Co-ordinating Office of the Prime Minister's Office. Attending officers in the meeting agreed to develop the plan, and they organised a task force team to review it.[18] The team completed an alternative proposal, the *Proposal for Improving the NHI Scheme,* which suggested two alternative ideas. One was to set up a national corporation to unify funding societies, but allow the national corporation to coexist with the KMIC. The second idea was to unify only the central funding bodies at first, with the funding societies remaining. Subsequently, the funding societies would be disbanded and then would be unified completely under one management organisation (Cha, 1992: 323).

While the proposal was being reviewed and adjusted within the government, opposite opinions over the reform plan arose from various places. Some MoHSA civil servants expressed opposition to the reform. However, they could not strongly raise their voices against the plan because of Minister Cheon's strong support for it within the ministry. However, these civil servants organised an opposition group in alliance with insurers such as the NCMIS, funding societies, the media companies and the private sector. Further, these groups co-operated with officers in the Presidential Secretariat Office to form a powerful opposition within government against reform in the near future.

---

[18] The task force team consisted of eight officers from the MoHSA, EPB, KMIC, NCMIS, SSC and KDI (Cha, 1992: 323).

4.4.3 National Conference of Medical Insurance Societies

The NCMIS[19] was the very first organisation that announced official opposition to the MoHSA reform plan. On October 23 1980, the NCMIS held a board of directors' meeting and delivered its written opinion to the MoHSA. According to the report, the NCMIS opposed the reform with the arguments below (Cha, 1992: 324):

- The current system, which has been managed under self-finance and administration systems, is more reasonable than a national corporation-style system.
- If the administration system is unified, conflicts between government and the insured would be created due to an increasing financial burden on the government.
- The principle of equity in terms of imposing a contribution rate and receiving equal insurance benefits would not be achieved under the reform because of income differentiation among localities and the poor distribution of medical facilities in rural areas.
- The solidarity between employees and employers would be weakened.
- The merit of autonomous management of funding societies under the current system would disappear.

Soon after the NCMIS's official announcement, the Federation of Korean Industries (FKI), the Korean Employers Federation (KEF), the Korean Chamber of Commerce and Industry (KCCI), the Korean Foreign Trade Association (KFTA) and the Korean Federation of Small and Medium Business (KFSMB) expressed officially their opposition. Kim Ip Sam, Chief Executive of the NCMIS and Vice-President of the FKI, prepared opposing opinions to the reform plan for the board of trustees in the FKI on October 28 1980 (Cha, 1992: 324).

The opposition arguments were that (Cha, 1992: 324):

---

[19] This was organised under the Federation of Korean Industries (FKI) in order to manage NHI for the private sector. It existed from 1976 to 1981 as a private incorporated body. After that, the NCMIS was developed as the Central Federation of Medical Insurance Societies under legislation. Finally, it became the National Federation of Medical Insurance, which managed the KMIC and other funding societies in rural and urban sectors as well as in the private sectors.

- The separate funding society system can contribute to stabilising the relationship between employees and employers; and also retain the merit of autonomous management system.
- The unified system will create 'welfare diseases of the Western countries' as well as a bureaucratic environment within management bodies.
- Income redistribution may be less efficient under a unified administration system.

Here, we need to point out that the opposition side drew the term 'welfare disease of the Western countries' in order to justify its argument. This term has been popularly used from the conservative side. Because the government had set up economic development for its prime political agenda since the Park regime, accumulating national wealth had always been a sensitive issue for the government. Thus, whenever welfare became a critical issue in the government and the political arena, the government was critically aware of the financial burden. Accordingly, the conservative side threatened that the government would face a huge financial responsibility for any welfare provisions just as Western welfare states had experienced because the welfare programme would produce over-dependence on the government.

As the NCMIS was organised in order to manage the Category I of the insured (large-company employees) under the FKI in 1977, it was not surprising that these other organisations in the enterprise joined to oppose the reform plan. This was because if the funding societies in private sectors were unified, the private sectors would obviously lose their authority and power over the management of the NHI scheme and the NHI funds.

Meanwhile, there was no reaction from the KMIC over the reform. This was because it was already established as a publicly based medical insurance management organisation by the government that took care of government employees and teachers in private schools. The reform would therefore not affect the status of the KMIC. In particular, as one of the executives in the KMIC was a strong supporter of the reform, there was no reason to work with other NHI funding

organisations.[20]

4.4.4 Federation of Korean Trade Unions

Initially, the Federation of Korean Trade Unions (FKTU) stated its opposition to the reform on November 4 1980. However, the FKTU changed its agenda to support the reform several months later through the paper *Suggestions for Improving the Medical Insurance Scheme* in August 1981. This paper stated that the funding societies in Category I should be unified under one national managing organisation and employees' representatives should participate in the management of the NHI scheme (Yoon, 1984: 66-67). Why did the FKTU initially present its negative views against the medical insurance reform? The FKTU was likely to protect its (beneficiary) members (employees in large private sectors) from the sudden changes of the insurance scheme. However, the FKTU quickly changed its agenda to avoid the duplicated voice of the business organisations because it would be likely to receive criticism from labour members. In particular, since only a limited number of employees (in large private sectors) received the insurance benefits, the FKTU may have realised that the opposite stand to the reform was not a politically clever idea concerning the rest of members. The FKTU was not free from the control of the government since its establishment (as introduced in Chapter 1); the agenda of the labour's representative body had been inconsistent regarding the medical insurance reform not only in the 1980s but also in the 1990s. The action of the FKTU in the 1990s is discussed in Chapter 7.

On January 1981, after discussion with the Presidential Secretariat Office, the MoHSA and the Presidential Secretariat Office both agreed to review the reform after the pilot NHI programme (Category II) in rural areas was fulfilled.[21] Hence, discussion about the reform was put on hold again. However, when the pilot programme was implemented in July 1981, the government experienced administrative difficulties in assessing and collecting NHI contributions, and in managing the financial stability of the system. At the end of 1981, the issue of

[20] Um Ki Sup, Executive Director of the KMIC. Interview with Yoo In Wang, Chief Editor in the Newspaper of the Korean Medical Association.

[21] The Presidential Secretariat Office established its own proposal based on the separate system (Cha, 1996: 181).

reforming the NHI scheme was raised in the National Assembly (Cha, 1992: 324-325).

Despite increased pressure from opposition sides, Minister Cheon did not easily give up on the reform of the scheme. He announced that he would unify the NHI administration system gradually through unifying the regulatory bodies[22] that monitored the NHI contributions and computer systems (Cha, 1996: 182). When he realised that political resistance to reform, threatening from both inside and outside government, was subsequently undermining his reform plan, he attempted another reform from inside the MoHSA. First, the minister planned to reorganise the NCMIS, a private corporate body under the FKI, into the Central Federation of Medical Insurance Societies (CFMIS), a public corporation under the MoHSA. As the NCMIS strongly opposed reform (on the grounds of defending the private sector), it had been one of the major obstacles to reform. It was therefore necessary for the MoHSA to establish a *public* management organisation in order to push forward the policy of the ministry. As a result, the CFMIS was established on October 2 1981. Second, the minister also reshaped the organisational structure of the ministry. He put more reformist civil servants in the front line of reform (Yoon, 1984: 67-68).

4.5 Parliamentary Reactions and the Involvement of the Presidential Secretariat Office

On November 27 1981, the members of the Committee of Health and Social Affairs (CoHSA) reached agreement that the MoHSA should submit a bill to reform the NHI administration system by the plenary session in 1982 (National Assembly, 1981). This agreement was also passed at the plenary session of the National Assembly held in December 1981. As the result of the agreement of the National Assembly, the MoHSA started to re-write the proposal to reform the NHI administration system from January 1982. The new proposal was similar to the proposal in 1980 (Cha, 1992: 325-326).

In the National Assembly, members from the ruling party and the opposition

[22] Each funding society had its own regulations and standards in determining contribution rate and benefit provisions.

parties in the CoHSA collaborated in support of the reform plan. Indeed, most of the National Assembly members from the ruling party and the opposition parties in the CoHSA supported the plan to unify the fragmented medical insurance system (Cha, 1992: 326). In terms of underlying reasons, National Assemblymen agreed that: ① the separate system retains limitations for income redistribution; ② the unified administration system can hold efficient management; and ③ the NHI scheme should not follow the management failure of the Japanese health insurance scheme (Won, 1990: 75).

They were relatively free from pressure groups, especially from the enterprise sector and the funding societies. The members of the CoHSA also had sufficient discussions with social policy experts. They examined the issues through various networks and were also aware of voters who had been excluded from medical insurance benefits. Since the NHI reform was not regarded yet as a critical political matter that demanded serious political deals between the ruling party and the opposition parties at that time, they could collect neutral voices for the reform in the National Assembly.

The MoHSA reported this new proposal to the policy conference of the ruling Democratic Justice Party (DJP) in February 1982. Then the proposal was reported to and approved by the prime minister and the deputy prime minister. However, the proposal did not reach President Chun because the Presidential Secretariat Office again insisted on reviewing the proposal more extensively in meetings between the Presidential Secretariat Office and the MoHSA.

After the plenary session of the National Assembly at the end of 1981, the ruling party and the opposition parties were determined to fulfil the NHI reform. Accordingly, the MoHSA was also determined to resume the plan. In the meantime, other administrative institutions in the government had not yet decided their position regarding the reform plan, as the Presidential Secretariat Office had consistently opposed the plan.[23]

On the other hand, although the Economic Planning Board (EPB), which was in charge of managing the national budget, supported the NHI reform from the beginning, they were divided into two sides. The Budget Bureau supported the

[23] Interview with Cheon, former Minister of Health and Social Affairs.

unified administration system, but the Economic Planning Bureau supported the current separate system. This was because the Economic Planning Bureau accepted the point that the gradual expansion of the NHI scheme, rather than rapid reform, would be safer in consideration of the Korean economy and national budget (Cha, 1996: 186). The former Vice-Minister Rhee explained that the civil servants in the EPB thought the unified NHI system was principally the right way to go for NHI. However, the anti-reformist civil servants in the MoHSA persuaded the EPB civil servants that the current separate NHI system would reduce the state financial burden for the health care scheme.[24]

Under these circumstances, in April 1982, the Research and Advisory Committee of the Medical Insurance Scheme was established in the MoHSA in order to prepare a reform bill for unifying the NHI administration system for the next plenary session of the National Assembly. The committee consisted of 22 representatives, and a task force team was also organised in this committee. Four were selected from academic sectors, five from research institutions, two from insurer organisations, six from the medical and pharmaceutical sectors, one from the EPB and four from the MoHSA. In addition, thirteen officers from the MoHSA, the CFMIS and the KMIC joined the task force team in the committee (Cha, 1992: 328). Rhee Doo Ho, Assistant Minister for Planning and Management in the MoHSA, was appointed as chair of the committee. He expounded a clear principle of social insurance in implementing the NHI scheme, which was maximising risk pooling.[25]

4.6 Struggle between Minister Kim and the National Assembly

In May 1982, Kim Jung Rye was appointed as the new Minister of Health and Social Affairs. It is difficult to say that his membership of the reform movement was the main reason behind the removal of Minister Cheon from the MoHSA. The average life span of a Minister of Health and Social Affairs had been one and a half-years. Also, the minister's position in the ministry had usually been given to an opposition member or a female politician for political reasons. Therefore, since Minister Cheon

[24] Interview with Rhee Doo Ho, former Vice-Minister of Health and Social Affairs, September 14 1999.
[25] Ibid.

had already served the position for 20 months (September 1980 - May 1982), it was time to replace him on the basis of the schedule of cabinet reshuffles. Furthermore, as the new Minister Kim also supported reform while she was in the cabinet, it is difficult to say that the reform movement caused the appointment of a new minister.[26]

Minister Kim announced that it seemed too early to implement the NHI reform plan at the session of the CoHSA in the 113th extraordinary session of the National Assembly (Yoon, 1984: 44). But it does not mean that Minister Kim opposed the reform. She was a supporter of the reform. In the meantime, a number of seminars were subsequently held to discuss the NHI administration system: by the KDI[27] on August 20 1982, the Democratic Justice Party on August 28 1982, the Korean Institute for Population and Health (KIPH), a think thank under the MoHSA,[28] on September 2 1982, and the Christian Academy on September 10 1982. Regardless of these events, the Presidential Secretariat Office, the NCMIS and the funding societies maintained their opposition to reform (Cha, 1992: 329).

Plans for reforming the administration system could not reach complete agreement within the government, even though the plenary session of the National Assembly was approaching. The ruling and opposition parties demanded that the MoHSA submit a bill in the plenary session. But the MoHSA could not achieve this as the Presidential Secretariat Office still not only opposed the plan but also had great influence over the president's political decisions. On September 24 1982, when the General Secretary of the DJP reported on parliamentary matters to the Presidential Secretariat Office, the office mentioned that "it might be a better idea to unify only the examining body of the NHI contributions and the computing systems rather than to revise the whole Medical Insurance legislation and to unify the administration system." The Presidential Secretariat Office ordered the MoHSA to

---

[26] Interview with Kim Jung Rye, former Minister of Health and Social Affairs, on October 5 1999.

[27] The Korean Development Institute (KDI), one of the most representative think tanks in Korea, supported the unified NHI system through a research paper published in 1981 (Park et al. 1981: 21). However, they changed their support for the unified system. The KDI argued that NHI might need to unify only the administration system, while the financial system might need to remain separated (Won, 1990: 79). In his paper, Youn Ha Chung, who later became the president of the KDI, also pointed out that the separate system of the NHI holds many problems. He especially indicated the issue of income redistribution. But he did not clearly mention the issue of unification in the paper. Later, he became an anti-reformist (Yeon, 1982: 105-126).

[28] The title of KIPH was later changed to the Korean Institute for Health and Social Affairs

cease discussion on the reform of NHI and to prepare a plan to unify only the examining body of the NHI scheme (Cha, 1996: 183). Thus, under these circumstances, the MoHSA was not able to offer proposals to the National Assembly (Cha, 1992: 329-330).

By the 114th plenary session of the National Assembly, the MoHSA was still in difficulties. Simultaneously with the opening of the plenary session of the National Assembly, the Subcommittee for Promoting a Unified NHI System was established to monitor the policy process of reforming the NHI scheme under the CoHSA. Choi Young Chul (Chair of the CoHSA) was appointed as the chair of the subcommittee. In addition, Lee Chan Hyuk (DJP), Sohn Choon Ho (DJP), Chung Jung Hoon (Democratic Korea Party: DKP) and Shim Hun Sup (DKP) were appointed as members of the subcommittee (Cha, 1996: 182-183). On October 13 1982, Minister Kim announced at the meeting of the subcommittee that the MoHSA could not submit the bill for the NHI reform. The next day, on October 14 1982, Minister Kim reaffirmed at the plenary session in the National Assembly that the MoHSA needed to research more before submitting the bill. Four days later, on October 18 1982, National Assembly members from the opposition parties refused to participate in the plenary session of the Committee of the Health and Social Affairs. They strongly attacked the government for not keeping its promise to submit a reform bill to the National Assembly. After a long political debate between the ruling and opposition parties in the subcommittee for ten days, both sides reached the agreement that (Cha, 1992: 332):

- The subcommittee would put forward reform proposals with the MoHSA by December 18 1982.
- The subcommittee would prepare a revised medical insurance bill based on established ideas of reform. The ruling and opposition parties would submit the proposal together to the National Assembly within the shortest time possible.
- The government should officially apologise to the CoHSA.

The executives in the ruling party, the DJP, and the MoHSA decided to receive the confirmation from President Chun directly in order to work out this

---

(KIHSA).

deadlock. Until then, there was no clear acknowledgement by the president regarding the reform debate (Cha, 1992: 332). President Chun had ordered the suspension of reform plans for more careful consideration of them but had not ordered their abandonment. However, the Presidential Secretariat Office consistently advised opposing the reforms.

According to Minister Kim, she planned a year's preparation for the reform proposal, as she realised that it would be impossible to persuade President Chun at that moment under these political circumstances in the government.[29] Minister Kim tried to meet President Chun alone to persuade him to support the reform. Because President Chun had an aggressive and quick decision-making style, she waited for a chance to discuss seriously the issue with the president. However, the president always brought along Youn to every meeting, a senior secretariat and strong opponent of the reform, stating that "Youn is a welfare expert."[30] Therefore, she had no chance to persuade the president. Minister Kim suggested in our interview that the president might have had a bias against her because she was a female. He might have thought that she did not have sufficient knowledge about government administration in health care matters. Thus, the president took Minister Kim's administrative suggestions less seriously with regard to reform. The Presidential Secretariat Office furthermore did not wish to make political concessions to get the reform through. Moreover, as the senior secretariats in the Presidential Secretariat Office had consistently presented negative views against the reform to the president, it would be difficult anyway to persuade the president of the reform case. Thus, the minister decided to develop more collaborative arguments for the reform for one year before persuading President Chun. In order to do this, she planned to choose two representatives from each side of the debate from each of the National Assembly, academic sectors, the Presidential Secretariat Office and the MoHSA.[31]

Minister Kim reached an agreement about this plan with the Chair of the CoHSA, such that the CoHSA would not take any action before the minister's plan was completed. However, the chairman broke his promise and directly asked the president for an opportunity to brief him on proposals for NHI reform, in actual fact

---

[29] Interview with Kim, former Minister of Health and Social Affairs.
[30] Ibid.
[31] Ibid.

buttonholing him at a dinner party.[32] President Chun immediately allowed the meeting, and it was held just a few days later, on November 2 1982, in the Presidential Residence. In the meeting, Rhee Jong Chang, the General Secretary of the DJP, Choi Young Chul, the Chair of the CoHSA, Kim Jung Rye, the Minister of Health and Social Affairs, Kim Tae Ho, the Chief Secretariat of the Presidential Secretariat Office, and Youn Sung Tae, the Senior Secretariat of the Presidential Secretariat Office, participated in the meeting. The representatives of the National Assembly and the MoHSA prepared a paper entitled the *Proposal for Koreanised National Medical Security*. However, they failed to gain a clear support from President Chun.[33] After hearing the briefing from each side, President Chun suggested that the reform was a complicated political issue that needed more profound research.[34]

Regarding this political outcome, in the end, Minister Kim felt that the *inferiority of the National Assembly members* was one of the reasons for the failure of the NHI reform. Despite the agreement with Minister Kim, which promised to allow one more year for preparing the reform, the CoHSA wanted to pass the reform bill in the plenary session of 1982. Because they reached the decision to pass the bill by a certain plenary session, they were in a hurry to resolve the issue unconditionally in the plenary session under the harsh political atmosphere. Nevertheless, Choi, the Chair of the CoHSA, rushed to the president to obtain final approval for the reform, but it was failed.

On December 18 1982, the long debates about reforming the NHI scheme ended with the closing of the plenary session of the National Assembly. Moreover, the Presidential Secretariat Office delivered the presidential decision, which suspended the proposal, to the MoHSA and the National Assembly. Thereafter, further debate was allowed neither in the government nor in the National Assembly.

Thereafter, the Presidential Secretariat Office started to undermine civil servants in the MoHSA who had been involved in the reform camp. In October 1982, in order to remove groups in MoHSA supportive of the reform, the Presidential Secretariat Office pressured Minister Kim to get rid of certain high-

[32] Ibid.
[33] Ibid.
[34] Ibid.

ranking civil servants in the ministry, Assistant Minister Rhee, and Director Cha,[35] who participated in the reform process, but she refused. At the beginning of February 1983, these high-ranking civil servants as well as executives in the KMIC and CFMIS were investigated by the security services. They were accused of receiving bribes from the CFMIS for lobbying National Assembly members, and profaning the president.[36] Despite being proven innocent after the investigation, some of them lost their positions.[37] This incident well demonstrates the political power of the Presidential Secretariat Office under the authoritarian regime. In 1986, the Social Security Committee (SSC) in the MoHSA, a strong supporter group of the reform, was also disbanded by new Minister Rhee Hae Won.

4.7 Currents within the First Reform Movement

The first proposal for NHI reform was actively pursued within the government, including the Presidential Secretariat Office and the National Assembly. During the policy process, political conflicts existed not only between the MoHSA and the Presidential Secretariat Office but also between the MoHSA officers themselves.

First of all, NHI reform was Minister Cheon's unilateral idea, which brought tension between executives within the ministry. MoHSA civil servants had already started to implement the *Plan for Merging and Abolishing Medical Insurance Funding Societies,* which was a former minister's plan, and they had a strong desire to continue. In addition, some of the MoHSA civil servants opposed the reform because they thought that it was realistically impossible to pursue at that time.

Secondly, some of them had been seriously involved in creating the separate system from the very beginning of revising the Act. These civil servants organised a powerful opposition group against the reform movement within the government.

Thirdly, in the advisory committee of Minister Cheon, Cheon was the main figure in leading research and creating reform plans. This solo lead made officers feel relatively excluded from the main policy-making body. The strong relationship

---

[35] Rhee Doo Ho returned to the MoHSA as Vice-Minister in 1988. Cha Heung Bong was appointed as Minister of Health and Welfare (MoHW) in 1999.
[36] Interview with Rhee, former Vice-Minister of Health and Social Affairs.
[37] Ibid.

between the minister and his advisory committee might have caused an increase in complaints from some other civil servants in the MoHSA.

However, Minister Cheon's strong desire to reform the NHI scheme also made it possible to bring in many reform supporters not only in the MoHSA but also in the National Assembly. This supportive atmosphere in the National Assembly increased pressures for NHI reform. On the other hand, Minister Kim, who took over Minister Cheon's reformist lead, failed to show strong leadership in moves towards a unified NHI scheme within the MoHSA and for the committee members in the CoHSA. This was because she had very limited options available to overcome the harsh political atmosphere that was mostly created by the Presidential Secretariat Office. Not only Minister Kim but also both the MoHSA and the CoHSA faced difficulties to overcome pressures from the Presidential Secretariat Office.

It has been found that the political background of ministers at the MoHSA significantly influenced the policy direction of the department. Minister Cheon was able to carry out the reform because he was relatively independent from governmental interventions due to being a member of the opposition party. However, Minister Kim, a politician from the ruling party, was in a different position. Although she personally supported the reform, she could not appeal to the movement and possessed only limited options in pursuing reform. In the end, the attempt of the reform failed at the very last stage of the first reform movement after a meeting with President Chun, the leader of the ruling party.

Table 4-3 List of Ministers of the MoHSA during the First Reform Debate

Name	Career	Period
Cheon Myung KI	MP of Opposition Party	9/1980-5/1982
Kim Jung Rye	MP of Ruling Party	5/1982-2/1985

Source: Applied from Ministry of Health and Welfare (1998) *The White Paper of Health and Welfare*; Youn Hap Tong Shin (1999) *Korean Biographical Dictionary*

Meanwhile, specialist groups, such as the advisory committee members and other social policy experts, were able to present their opinions through seminars and

public hearing sessions. This was of course meaningful for the specialist groups because it brought the collective exposure of their thoughts to the public. However, those specialist groups were not fully developed as an organised and influential force. Particularly, they were not able to influence policy making strongly, having failed to support their arguments with adequate evidence. In particular, they failed to demonstrate sufficiently arguments in support of social insurance to the political authorities. Also, even if the reform supporting group emphasised the importance of income redistribution in the NHI scheme and argued the issue against the opposition group, there was no sufficient data to support the reform.[38]

In contrast, the opposition was able to organise and spread its arguments and demands through various channels, such as mass media and government institutions. However, reformist groups failed to provide concrete explanations and data to persuade President Chun of the merits of the project.[39] In fact, not many academics were interested in the socio-economic issues surrounding the implementation of the NHI scheme at the beginning of the 1980s. There were not even sufficient research data. Under these circumstances, the issue of NHI reform did not become a significantly popular political subject matter in the academic sector and political institutions.

In December 1982, with the publication of the research paper, the *Rational Proposal for the National Health Insurance Scheme for All Citizens,* by the Korea Institute for Welfare Policy, the problems latent in implementing the NHI scheme acquired political importance. The research report clearly demonstrated the points of inefficiency, inequity, inequality and the reversed income redistribution existing in the NHI implementation by statistical analysis. This was the first official research outcome, and it provided concrete evidence for the reformist side to argue for the NHI reform. Furthermore, it provided more opportunity for experts to join the reform movement.

Most of all, the most influential institution in the policy-making process of the first reform debates was the Presidential Secretariat Office. The Presidential

---

[38] Interview with Yoo, Chief Editor of the Newspaper of the Korean Medical Association.

[39] Interview with Professor Kim Young Mo, Chief of the Korea Institute for Welfare Policy and former committee member of the Research and Advisory Committee of the Medical Insurance Scheme for the MoHSA, on 20 August 1999.

Secretariat Officers exerted their influence strongly under the authoritarian military regime. This is a good example of the centralisation of power in the Korean bureaucracy during the 1980s under the authoritarian state. As the president had absolute political power under the regime, the Presidential Secretariat Office was also able to exert politically powerful leadership within the government. In particular, the role of the two secretariat officers, who were sent from the MoHSA, was extremely influential in decisions of the chief secretariat officer and the president. And as these two secretariat officers were strong supporters of the separate NHI system in the MoHSA, they lobbied other executives in the government to reinforce their negative views regarding NHI reform.

Regarding the institutional power, Minister Cheon indicated in our interview that he did not know "how much power the Presidential Secretariat Office had" or "the style of the bureaucratic structure." He stated that he had been too naive in dealing with the bureaucratic structure and with the policy-making structures of the government. The minister concluded that his reform movement in the ministry resulted in strengthening opposition power within the government. To avoid this, he had to develop the reform movement through pre-consultations with executives in other ministries and political institutions, according to Minister Cheon.[40]

The first debates around the NHI reform developed into a crucial political issue in the government and in the National Assembly. Because there were not sufficient research data to prove the condition of the current NHI scheme until the end of 1982, the public did not have any special focus regarding the NHI scheme. In addition, the NHI scheme covered only a very limited number of people; it was not part of general public interest. Despite the lack of strong support from the public and the government, the idea of reform was strong enough to produce these first debates and to contribute a theoretical basis and programme that would be taken up in subsequent debates.

[40] Interview with Cheon, former Minister of Health and Social Affairs.

Conclusion

Three years after the launch of the medical insurance programme, the first reform movement was attempted. The first reform movement was initiated and led by Minister Cheon in the MoHSA and the ministry initially involved in the policy process for the reform. The debates regarding reform expanded to other policy-making institutions in government and the National Assembly. Accordingly, reformist and anti-reformist sides were revealed during the policy process.

Like the policy-making process of the medical insurance programme in the 1960s and 1970s, this reform movement was initiated and developed by a certain elite group within a few policy-making institutions in government. The public was neither involved in this policy debate nor interested in this reform movement. Again, the decision of the president was extremely powerful in the policy process. In particular, the Presidential Secretariat Office was highly involved in the policy process and critically influenced the political involvement. The decision of the president was significantly influenced by the voice of the Presidential Secretariat Office.

The National Assembly and political parties contributed to urging the government on medical insurance reform but failed to propose a profound plan as law-makers to policy-making institutions. The resistance to the reform by insurers, such as the NCMIS and the enterprise organisations, was revealed in association with the media enterprises, but it was not strong enough to influence the policy process. In addition, the involvement of the FKTU and the KMA in the policy process was weak. This was because the policy process of the NHI reform was operated mainly within the government and the National Assembly by a small number of participants, and the authoritarian-political environment also dominated the policy-making ground.

First, strong elitism and institutionalism were engaged in the policy process during this period. Although the group of participants in the policy-making process of the NHI reform widened in comparison to the 1960s and 1970s, the range of the membership in the policy-making arena was still confined to the limited number of elite bureaucrats and politicians as well as governmental agencies. The crucial decision-making power was concentrated in the presidency.

Second, the reform movement resulted neither from the effect of economic development nor from the pressure of class conflict. It emerged from a personal interest of the Minister of Health and Social Affairs. Thus, the initiative of NHI reform was influenced by internal elements rather than by external environmental factors.

CHAPTER 5. THE SECOND MOVEMENT FOR REFORM OF THE NHI (1986-1989)

In this chapter, the policy process of the second movement for reform of the NHI scheme is considered. This is undertaken through examining in chronological order the influence of different interest groups involved during the period from 1986 to 1989, the extent to which different parties exerted influence over policy, and the outcome of their activities.

After President Chun's decision to suspend plans for reform of the NHI scheme in November 1982, any political action for reform was not allowed inside government. But in the summer of 1986, when President Chun announced his plan to expand coverage of the NHI to the entire population by 1989, as part of a broader strategy to improve the national health care system, the movement for reform of the NHI scheme started to stir again.

The second movement for reform of the NHI scheme coincided with the emergence of broader social reform movements, and thus the policy making process around NHI reform was more complicated than the original reforms at the beginning of the 1980s.

5.1 Expansion of NHI and Institutional Melee

After President Chun's decision to suspend NHI reform in November 1982, high-ranking civil servants who had supported the reform were removed from the Ministry of Health and Social Affairs (MoHSA), and any discussion about reform was prohibited within government. Subsequently, in February 1985 Rhee Hai Won,[1] a strong conservative politician, was appointed as the new Minister of Health and Social Affairs. Following his appointment, the Social Security Committee (SSC) within the MoHSA, which had been undertaking research into reform of the NHI as well as putting forward ideas for social welfare policy for almost two decades, was abolished in 1986 (Kim, 1988: 431).

Meanwhile, Youn Sung Tae and Kim Jong Dae, who strongly opposed the

[1] Rhee Hai Won was a National Assemblyman in conservative-ruling parties for his entire political career – in the Democratic Republican Party (DRP) under the Park regime (1971-1980) and in the Democratic Justice Party (DJP) under the Chun regime (1981-1985).

NHI reform and worked in the Presidential Secretariat Office, returned to senior executive positions in the MoHSA in 1986 – as Assistant Minister for Planning and Management and Head of Social Insurance Bureau respectively. Hence, strong supporters of a separate NHI system occupied senior positions in the MoHSA and were heavily involved in future policy-making on the medical insurance programme. As a result, Minister Rhee subsequently gained support to pursue a separate system.

Why did the government appoint Rhee to the position of minister? The executive in opposition to reform in the government might have needed a strong conservative leader to alleviate concerns in the MoHSA caused by Minister Cheon and Kim's proposed reforms. From the point of view of the government, and particularly of the Presidential Secretariat Office, Rhee was a strong leader in the political arena and had ready access to parliamentary leaders using his established political network. Thus, the government might have wanted an experienced politician to deal with the impending unrest in the government and the National Assembly, as well as someone to develop a separate NHI scheme

Minister Rhee put forward a proposal called *Major Projects of the MoHSA in 1986* at a meeting with President Chun on February 11 1986. At the meeting, the minister proposed that the MoHSA would expand NHI coverage to rural areas under a separate system. He also suggested that the head of local government should be the managing director of the local NHI funding society (Newspaper of the KMA, February 13 1986).

Just a day after Minister Rhee's proposal was put to the president, the Korean Medical Association (KMA) started lobbying. From the perspective of the KMA, the expansion of the medical insurance programme was a significant positive development, as it provided a second opportunity following the NHI implementation of 1977 to expand the medical market and increase the number of patients; however, this development of medical insurance also threatened the professional status of doctors. On February 12 1986, the KMA requested a meeting with the Democratic Justice Party (DJP), the ruling political party, and requested that the KMA be involved in the policy-making. The KMA also emphasised that there were significant issues that needed to be discussed: financing, restructuring of the administrative system, fee schedules and the efficiency of medical resources as part

of any policy discussions on extending the NHI system (Newspaper of the KMA, February 17 1986).[2]

On March 5 1986, at a meeting between the government and the DJP the *Comprehensive Plans for Farming and Fishing Areas* were announced. This plan had been prepared by a task force led by the Budget Director at the Economic Planning Board (EPB), who had been working on it since October 1985 (Park, 1996: 118). This plan outlined the government's general agricultural policy, and also included issues of supplementary incomes for farmers, education and measures to improve health care policy for agricultural and fishing areas.

At the same time, a task force at the MoHSA, led by the Director of the Insurance Division, started to work on a new proposal to cover the entire population by the medical insurance by expanding the roles of local NHI funding societies.[3] On March 25 1986, the Vice-Minister of Health and Social Affairs and the EPB agreed to expand the current NHI scheme. The MoHSA argued that if the government increased the efficiency of medical services and the NHI contribution rate, it would be possible to expand the NHI scheme to the entire population without additional financial support from the government. However, the EPB insisted that it was inevitable that the government would have to subsidise the NHI scheme to expand its coverage because the NHI budget would rise with the increase of medical use and in medical cost. In a session of the Committee of Health and Social Affairs (CoHSA) at the National Assembly in April, the MoHSA again argued that the NHI scheme would be able to expand coverage to the entire population without financial support from the government. But the EPB again stressed that it could not agree to the MoHSA's plan without a reasonable financial solution. Subsequently the EPB became interested in a unified NHI administration system as a means of minimising the financial burden on the government (Park, 1996: 118 & 146).

On May 28 1986, at a meeting with the government, the DJP put forward the

---

[2] According to medical providers, the government set the fee at 45% lower than the actual cost as measured at the general hospital in Seoul when the NHI was implemented in 1977 (Moon, 1997: 415). Consequently, for the KMA the fee level had been the most controversial part of the policy since the NHI scheme was introduced.

[3] The DJP promised to implement an NHI scheme covering the entire population from 1987 prior to the 12th general election in February 1985. The DJP announced that the party would look at concrete plans in conjunction with the government as soon as the party had decided the principles of the policy (Kyung Hyang Shin Moon, January 28 1986).

Project for Six Tasks, which included: ① a minimum wage scheme; ② an NHI scheme for the entire population; ③ compulsory education at junior high school and free education at vocational high school for the poor living in urban areas; ④ special arrangements for leasing housing to labourers, administered by the local government; ⑤ a booming local economy preparing for the local self-government system; and ⑥ a comprehensive social security system for the poor in urban areas (Seoul Shin Moon, May 29 1986). And it was agreed that they would pursue this project in 1987. At this meeting, the DJP also put forward a clear timetable to extend coverage of the NHI scheme to the entire population; and they proposed implementing an NHI scheme for farming and fishing areas in 1988 and for urban areas in 1989. The government accepted the timetable proposed by the DJP and began to discuss the feasibility of the plans based on this timeframe (Park, 1996: 119-120 & 136).[4]

The DJP, as the ruling party, led the political debate on welfare issues during the mid-1980s and put plans to extend coverage of the NHI scheme to the entire population high on the political agenda. What made the DJP interested in the development of medical insurance? Firstly, President Chun, the actual leader of the party, was strong in support of health care development. President Chun wanted to complete the expansion of the medical insurance programme to the entire population before the end of the 1980s because the social and economic conditions in agricultural areas had become a serious political issue. These conditions put pressure on the president to ensure that the new NHI project would be carried out.[5] Secondly, this idea of the president also provided a positive message to the party because it would contribute to setting an attractive political pledge for electorates preparing for an upcoming general and presidential election, in the party's point of view.

At a meeting with senior civil servants at the MoHSA on July 11 1986, the DJP opposed the MoHSA's plan to extend coverage of the medical insurance under a separate system. The MoHSA and the DJP had opposing views regarding the NHI development from the initial stages of policy-setting in mid-1986. These differences of opinion were not narrowed until April 1987. At the time, the majority of CoHSA

[4] The *Project for Six Tasks* was a welfare policy targeted at low-income families.

members in the National Assembly and the DJP members in the committee still supported a unified administration system (Cha, 1992: 337-338).

The DJP also objected to the EPB's plans. The EPB proposed creating a special taxation scheme, a 'health security tax', to increase the financial capacity of the NHI scheme. The DJP argued that adopting another special tax would meet with strong resistance from the Korean public, as there were already special taxation schemes in place for national defence and education. Faced with such strong opposition from the DJP, the EPB began to consider a unified NHI administration system. However, such a system was strongly opposed by the MoHSA, which did not want to discuss alternative administrative arrangements for the new NHI scheme with either the DJP or the EPB. This clash between the EPB and the MoHSA was reminiscent of similar events leading up to the implementation of the first NHI scheme at the end of the 1970s. During that time, the Minister of EPB and the Minister of Health and Social Affairs had clashed over the same issue. [6]

Meanwhile, the DJP were considering the financial details of the NHI expansion plans and proposed the following (Seoul Shin Moon, July 19 1986):

- Gradual unification of fragmented NHI funding societies into one state funding authority.
- Re-adjusting the rate of the contributions.
- Increasing the out of pocket payment of the insured.

We can deduce the policy direction of the party through these proposals: first, the DJP wanted to avoid a radical unification of fragmented funding societies, even though the party ultimately supported the unified system; second, the ruling party had a conservative view in dealing with the financing of medical insurance. To minimise impact from the outside, the party preferred a financing plan for the insurance that would increase contributions and out-of-pocket payments rather than create a new financing source.

---

[5] Interview with Yoo In Wang, Chief Editor of the Newspaper of the Korean Medical Association.
[6] Ibid.

At an official press conference on August 11 1986, President Chun officially announced that the NHI scheme would cover the entire population in 1989, and thus put the policy high on the political agenda. However, the president announced that the administrative structure of the new NHI scheme would be decided at a later date. From then, the administrative structure of the scheme became a hot political issue between the government and other political institutions. While the MoHSA continued to argue that the government would not need to provide additional financial support under a separate administration system, the DJP supported a unified administration system. In between the MoHSA and the DJP, the EPB examined the validity of both types of administration systems. This dispute carried on until the end of 1986 without any agreement (Park, 1996: 121; Yoo, 1996: 164-165; Cha, 1992: 338; Seoul Shin Moon, August 12 1986).

In examining this disagreement between the EPB and the MoHSA, we need to pay close attention to what the primary concerns were of those key political institutions and what they hoped to achieve.

The EPB, the department in charge of government spending, was keen to reduce the financial burden on government as much as possible, regardless of the type of administrative system that would be applied to the new NHI scheme. The DJP supported a unified administration system, but its resolve to accomplish this goal was weaker than it had been during the first reform movement, because their party leader, President Chun, did not fully support such a system. The Presidential Secretariat Office, the president's backbone, continued to oppose a unified system, and therefore it was difficult for the DJP to keep pushing for reform. Ultimately, the DJP suggested an alternative plan, which was a gradual unification of the fragmented system, to resolve the administrative and financial matters.

However, the MoHSA's attitude towards financing the NHI scheme was quite different from that of the EPB or the DJP. The MoHSA insisted that the new NHI scheme could be implemented under a separate system without additional financial assistance from the government and continuously attempted to persuade the EPB and the DJP of this view. The separate system promoted by the MoHSA was a more attractive option for the Presidential Secretariat Office because it would minimise the government's role and its responsibility for implementing a new health

policy. Consequently, the MoHSA and the Presidential Secretariat Office worked closely on this issue.

In the disarray over how to take the policy forward, the Korean Employers Federation (KEF) expressed its support for a separate administration system as it had done at the beginning of the 1980s. At a board meeting of the trustees of the KEF, on August 26 1986, they put forward the *Proposal for the Unification of the Organisations and Financing of the NHI Scheme,* which proposed that the government should expand the medical insurance programme under the existing separate administration system (Cha, 1992: 339-340).[7]

An official presentation by President Chun on developing the NHI scheme forced the government and the ruling party to get going and work on the policy. At a meeting between the government and the DJP held in the Presidential Residence on September 1 1986, the government announced the *Plan for National Welfare* as part of the Sixth Five-Year Plan for Social and Economic Development. The sixth five-year plan included plans for the NHI scheme as well as a national pension programme, a minimum wage scheme, support for the poor living in urban areas, and protection for people with disabilities (Won, 1990: 48). In the Sixth Five-Year Plan for Social and Economic Development, the government focused on improving national welfare as its primary goal, in contrast to the preceding five Five-Year plans for Economic Development. In addition, the word *social* was added to the title of the national plan (its earlier title was Five-Year Plan for Economic Development). This means that the government reflected its distinctive intention to develop social sectors for the country from the sixth plan.

In the meantime, on October 18 1986, the Budget Office for Health and Social Affairs at the EPB presented a report, *Social Insurance and Income Redistribution*, which was negative about developing an NHI scheme under a separate system, and pointed out the following problems which were likely to arise in such a scheme (Won, 1990: 49):

- Under the current taxation structure, as revenue from indirect tax is high, those excluded from the current NHI scheme would pay towards financing the medical

[7] The KEF repeated the same contents as the KEF announced in the beginning of the 1980s. See pp.109-110 in Chapter 4.

insurance.

- Because uninsured services are not covered by the NHI fund, they place a heavier financial burden on low-income classes, so it is possible that for them such out-of-pocket payments would create a barrier to accessing medical services.
- Increasing government revenue through a more progressive taxation system would assist in financing the NHI scheme because the current fixed rate of contributions provides limited income redistribution.
- Government support towards contributions might lead to those insured with higher incomes in urban areas receiving more financial support than those on lower incomes insured in farming and fishing areas under a separate administration system.

In December 1986, the KMA lobbied the MoHSA, the EPB, the CoHSA, the DJP and opposition parties on a number of issues: increasing fee schedules; establishing an independent review body to investigate the cost of NHI medical examinations and treatments; and guaranteed payments for NHI medical services. On January 22 1987, the KMA also proposed that joint research be undertaken with the government to calculate a realistic level for fees. Then on March 5 1987, the KMA in conjunction with the Korean Hospital Association (KHA), put forward the following proposals to the MoHSA (Newspaper of the KMA, March 9 1987):

- Undertake joint research to determine a proper level for fees.
- Increase fee schedules for the Medical Aid scheme.
- Establish an independent review body to investigate the cost of NHI medical examinations and treatments.
- Carefully consider what kind of administrative system the NHI scheme should have, as this is crucial in determining the success or failure of the scheme.
- Establish a statutory guarantee for payment of medical fees.
- Provide tax incentives for medical providers.

In 1987, as the deadline was approaching for implementing the NHI scheme for farming and fishing areas, the government and the DJP began to move faster to resolve the issue. On February 17 1987, the MoHSA and the EPB reached an agreement to build 134 local NHI funding societies by July 1987 and to increase fee schedules by between 10% and 20% every year. The government decided to put this proposal to the DJP.

Why did the EPB accept the separate system for the new scheme? The research paper, the *Evaluation of the Pilot Programme of the NHI Scheme in Rural Areas*, published by the Korea Institute for Population and Health (KIPH), was highly influential in shaping the EPB's policy on the NHI administration system. The KIPH was a think-tank within the MoHSA.[8] The report of the KIPH highlighted to the EPB that a unified administration system could not guarantee the financial stability of the NHI scheme, as it would be difficult for the government to determine an accurate rate for NHI contributions based on the income levels of those insured under the current taxation system, and therefore income redistribution and financial stability could not be achieved (Park, 1996: 123 & 146-147). But we cannot dismiss the possibility that the KIPH might have intentionally backed the political stance of the MoHSA through the research outcome because the think-thank belonged to the ministry.

To the extent that the EPB did not have a specific preference regarding the new NHI administration system, the EPB gave more credence to the MoHSA's views. Since the current separate system had worked since the NHI was implemented – although problems had been encountered during its implementation, the system was seen by the EPB as a safer and more feasible option than a unified administration system which would prove more challenging.

After reaching agreement with the MoHSA, the EPB changed its stance and supported a separate administration system. On February 27 1987, the DJP held a 'Policy Forum for Implementing the NHI Scheme for the Entire Population'. At the forum, Kang Bong Kyun, Head of the Economic Planning Bureau at the EPB,

[8] The title of the institute was later changed to the Korea Institute for Health and Social Affairs (KIHSA).

together with Jang Won Chan, President of the National Federation of Medical Insurance (NFMI), and Kim Jong Dae, Head of the Social Insurance Bureau at the MoHSA, supported a separate administration system for the NHI scheme, whereas Park Sung Tae, National Assemblyman of the DJP, Kim Young Mo, Professor of Chung Ang University, and Cha Heung Bong, Professor of Hallym University, all supported a unified administration system (Newspaper of the KMA, March 5 1987). Here, we need to note two aspects. First, Cha Heung Bong participated in this forum as a panel member for the reformist side. Cha was a high-ranking civil servant at the MoHSA and had been sacked in February 1983 because of the political conspiracy around the first reform movement. He taught at the university and was appointed Minister of Health and Welfare under the new government of Kim Dae Jung in 1999. Second, we can observe that the EPB changed its political direction over the medical insurance agenda; Kang, Head of the Economic Planning Bureau, was on the side supporting the separate system at the forum.

5.2 The Agreement between the MoHSA and the Ruling DJP

On April 11 1987, the MoHSA and the ruling DJP finally reached an agreement to adopt a separate administration system for the NHI scheme for those in rural areas. We need to question why the DJP changed its stance and agreed to a separate administration system after long debates.

First, as there were no signs of government departments reaching an agreement on the issue of the administrative system, the DJP was probably encouraged to compromise on this matter by more influential government bodies such as the Presidential Secretariat Office. According to the unanimous time-table for implementing the new NHI scheme, time was running out for setting up the legal content of a new NHI legislation. Thus, it was extremely important for the government to move on to the next stage and fulfil its promise. Secondly, the DJP might have perceived that the constant conflict with ministries and other government organs would undermine and embarrass the party. Thirdly, since the Presidential Secretariat Office had not supported the DJP's proposals for reform, the DJP possibly decided to compromise on the issue. Fourthly, the DJP might have admitted that there were differences in incomes and an unequal distribution of

medical facilities between urban and rural areas. Thus, the party finally accepted the practical difficulty of pursuing the unified system. Among them, the third and fourth reasons provide the better explanations for this situation. Considering the strong opposing view of the Presidential Secretariat Office and the negative research outcome of the KIPH over the unified system, the DJP could not find further justification to support the unified administration system.

It was agreed between the MoHSA and the DJP that there would be a separate system for the new NHI scheme but that the scheme would be transformed to a unified administration system in the near future (Cha, 1992:338). The compromise mostly reflected the demands of the MoHSA, but the DJP alternatively got an agreement for greater local coverage by NHI funding societies. In the negotiations between the MoHSA and the DJP, the DJP insisted on city- *(Si)* based NHI funding societies in exchange for agreeing to a separate administration system. However, the MoHSA continued to insist on *Ku*[9]-based funding societies, as this would make it easier for the government to collect contributions and it decreased its responsibility by sharing it with local government (Park, 1996: 124).

The main points of the agreement are outlined below (Park, 1996: 124; Newspaper of the KMA, April 23 1987):

- The NHI administration system would be restructured into a unified administration system in the future. However, after taking into account the real differences in incomes and the uneven distribution of medical services between rural and urban areas, the new NHI scheme would initially be implemented under a separate administration system.
- In order to improve income redistribution and administrative efficiency, the principles of a unified system would be adopted within the new NHI scheme and the management of local NHI funding societies would be improved. In addition, the five present sectors within the NHI scheme (business, government and private schools, local, types of occupation and voluntary) would be re-organised into three sectors (business, government and private schools, and local).

[9] *Ku* is an administrative-local district under city in Korea.

- NHI funding societies would be established at city-size level (*Si* and *Kun*[10]). There would be one funding society respectively for Seoul and other large cities to cover the entire area of the city.
- For farmers, fishermen and the self-employed on low-incomes living in rural areas, the government would provide some support towards contributions.
- The government would cover the administrative costs of the NHI scheme for farming and fishing areas.
- More funds would be invested in public health centres for medical equipment and better medical services in farming and fishing areas.
- In 32 local areas with underdeveloped medical infrastructures, private hospitals would be encouraged along with tax and financial incentives.

Prior to the presidential election (in December 1987) and following the general election (in April 1988), the ruling party successfully included some crucial points related to farmers and fishermen as well as to rural areas in the agreement to draw votes from electorates living in local areas. However, at the last stage the Presidential Secretariat Office opposed the establishment of funding societies at a city level because it wanted to avoid the additional financial burden and responsibility that this type of arrangement would incur. A wider local coverage system placed more responsibilities on local funding authorities to levy accurate amounts of contributions on and to collect contributions from the insured. In particular, as the beneficiaries in the rural areas were the self-employed, whose income level and source were not clearly revealed, this kind of coverage system could put more administrative risks and financial responsibilities on the local funding societies as well as the government in terms of managing the local medical insurance.

President Chun ordered a review of the administrative system on April 22, and on April 28 1987 the president took the decision to establish *Ku*-based rather than city- *(Si)* based funding societies. As each city consisted of a number of *Ku* in

[10] *Si* and *Kun* refer to the city-size districts.

Korea, more funding societies were needed to manage the NHI insured under the *Ku*-based administration system. The Presidential Secretariat Office still preferred smaller coverage by local funding societies, as this could make it possible for government to avoid more intervention in the medical insurance programme. Accordingly, Minister Rhee at the MoHSA reported the decision to the executive of the DJP and the Chair of the CoHSA, and the debate on establishing a new NHI scheme between the government and the DJP was finally brought to a close (Cha, 1992: 339).

We need to note two points throughout this decision-making: first, the policy interest of the MoHSA and that of the Presidential Secretariat Office almost coincided; second, the policy direction of the Presidential Secretariat Office was directly reflected in the decision of the president. Hence, from this we may also infer that: firstly, there was still a strong bond between executives of the MoHSA and the Presidential Secretariat Office in the policy-making of medical insurance; secondly, the Presidential Secretariat Office was still influential at the crucial stage of the decision-making; thirdly, the president relied heavily on the presidential secretariats in the health care-policy process.

5.3 Autonomy and Policy-Involvement of Doctors

On April 29 1987, just after this agreement was reached, the KMA held a meeting on NHI policy. The KMA called on the MoHSA to: ① increase fee schedules; ② undertake a joint review of the new scheme with the KMA and the government; ③ establish an independent review body to examine NHI medical fees; ④ appoint a medical practitioner, with their own private clinic or hospital, as head of such a review body; ⑤ issue public guidelines on standards under the NHI medical fee; and ⑥ outline why the government had cut the NHI payment to medical providers (Park, 1996: 127).

On September 11 1987, senior officials at the KMA had a meeting with Kim Young Sam, the leader of the Reunification and Democratic Party (RDP), and Roh Tae Woo, the leader of the DJP. This illustrates that the KMA moved quickly to lobby the political parties prior to the presidential election in December. The KMA put forward the following proposals to both political leaders (Newspaper of the

KMA, September 14 1987):

- Appoint a medical professional as a senior executive to deal with health care and medical policy in the government.
- Readjust fee schedules to an acceptable figure.
- Guarantee payment to medical providers for NHI treatments within a statutory time period.[11]
- Guarantee the social status of medical professionals.
- Establish an independent review body to investigate the fee of NHI medical examinations and treatments.
- Prevent the over-supply of medical practitioners in the market.

These repeated demands from the KMA arose out of general concerns amongst medical professionals about their professional and economic autonomy. When the NHI scheme was first implemented in 1977, the government relied heavily on a price control policy over NHI fees for the rapid take-off of the medical insurance programme. As the government wanted to minimise financial support for the medical insurance, there was limited means of expanding coverage of the programme in the short term. The only option was to lower the level of fees in comparison to the actual market price, and to increase the patients' out-of-pocket payment for insured services. From the point of view of medical providers, the level at which fees were set for NHI treatments was regulated by the government, and this was an intrusion by the government which threatened their professional and economic autonomy. Meanwhile, those who were insured still had to pay a higher rate for any medical treatment they received under the medical insurance programme because of the lower rate of benefits.

However, it was inevitable that the government chose this option to achieve extensive development of the medical insurance programme in such a short period

[11] This issue was one of the primary concerns of the KMA because reimbursement for NHI treatment was often delayed by funding authorities. Thus, medical providers had seriously complained about the system.

under the current socio-economic circumstances. Under the socio-economic conditions at the end of the 1970s, the majority of the population in Korea could not afford to pay contributions. Therefore, the government had to set a relatively low rate for contributions to increase participation in the medical insurance, and to start coverage of medical insurance with those who could afford to pay the contributions.

Doctors had been concerned by the huge structural changes in the medical market over the previous few years, and they wanted reassurance about their professional status. Thus, such demands from the KMA reflected doctors' fears about the consequences of expanding the NHI scheme to the entire population. They could foresee major issues arising with the forthcoming implementation of an NHI scheme for rural areas in 1988 and a scheme for the entire population in 1989, particularly in terms of economic autonomy and their income, despite the fact that the new scheme would allow more people access to medical treatment.[12] This was because firstly, as medical doctors would no longer be able to treat uninsured patients, they would be deprived of their extra income from uninsured patients.[13] Secondly, the income of medical practitioners would be available to the medical insurance and taxation authorities because the providers would have to claim a fee from them for every single medical treatment.

---

[12] In contrast, the Korean Pharmacist Association (KPA) was concerned that pharmacists would lose their income if the NHI scheme for the entire population was implemented. These concerns of the KMA and the KPA resulted from the way medical services were delivered in Korea. Korea did not have a system for separating the prescribing and dispensing of drugs. In other words, physicians and pharmacists had both been able to prescribe and dispense drugs. Thus, provision of medicine within medical institutions had become one of the primary ways to increase profits under the regulated fee schedule of the NHI system. Meanwhile, pharmacists working in pharmacies were able to sell and provide drugs to patients without a doctor's prescription. Before and after the NHI scheme was introduced in 1977, going to a pharmacy for drugs was more convenient and cheaper for uninsured patients, in particular for the lower income groups and patients living in rural areas where there were limited medical institutions. As a result of this system, there has been severe misuse of drugs in the country.

During the pilot programmes of the NHI scheme at the beginning of the 1980s, income for pharmacists in some areas declined. In order to address the issue of the falling income of pharmacists and to prevent drug misuse, the government tried to set up a separate system for prescribing and dispensing drugs. However, ongoing efforts at reform of the delivery system failed for almost two decades due to clashes between doctors and pharmacists. Finally, a separate structure for prescribing and dispensing drugs was agreed by the two groups as a result of mediation, and the new system was established from August 2000. Differences of opinion between the KMA and the KPA to safeguard their own interests have been endless, with both sides battling to secure profits and to an extent to acquiring competence in the preparation of medicines. This case would be another interesting topic to study as part of the policy-making process of health policy in Korea, but this will have to remain as the subject of future research.

[13] Due to the low level of fee schedules of the NHI scheme regulated by the government, medical

These concerns were reflected in the *Policy Direction of the KMA Regarding the NHI Scheme for the Entire Population,* introduced in June 1986 (Korean Medical Association, 1986):

> The proper level of fee schedule should be applied to the medical treatment of doctors under the medical insurance. The fee schedule should be decided on the basis of a mutual contract [between the medical provider and the insurer]. In the meantime, the level of fees which is not covered by the medical insurance, needs to be fixed under a liberal-market system. Then, the medical service can satisfy various medical needs of citizens who live in a capitalist society (p.31).

The KMA (1986) also emphasised in the report that "after the implementation of the NHI scheme for the entire population, medical treatment for uninsured services should be allowed to doctors, and the price setting of uninsured treatment should be done by a market price" (p.34).

As the medical practitioners had the most to lose with regard to the proposed development of the NHI scheme, the KMA consistently called on the government to appoint a medical professional as the top executive in charge of the scheme. The KMA were not confident that they could achieve their demands – especially on the issue of regulated fees – given the current administration within government. Hence, the KMA had to lobby hard. The KMA lobbied Park Sung Tae and Kim Jip[14], DJP members of the National Assembly, on the amendment bill of the Medical Insurance Act to expand the scheme to farming and fishing areas to reflect KMA's interests. Through their efforts, the KMA was successful in ensuring that its interests were reflected in the amendment bill which was submitted to the MoHSA. The demands were to: ① increase the number of doctors on the NHI Deliberating Committee; ② guarantee NHI payments to medical providers; and ③ guarantee the social status of medical professionals. In addition, the KMA's request regarding an increase in the rate of fees was also accepted, and the level was increased by 12.2% on February 15 1988. Another demand for a medical professional to be appointed as

---

providers had earned extra income from uninsured patients and uninsured services.

[14] Both were medical doctors.

a senior executive within the MoHSA was accepted, and Kwon Ei Hyuk was appointed as Minister of Health and Social Affairs on February 25 1988 (Park, 1996: 128-129).

The amendment bill of the Medical Insurance Act was discussed at meetings between the MoHSA and the DJP on October 14 and 19 1987. Park Sung Tae, Kim Jip and Shim Kook Moo attended the meetings on behalf of the DJP, and Choi Soo Il, Vice-Minister, Youn Sung Tae, Assistant Minister for Planning and Management, and Kim Jong Dae, Head of the Social Insurance Bureau, also attended the meetings. The bill[15] was passed in the National Assembly on October 30 and the NHI scheme for farming and fishing areas was due to be implemented on January 1 1988 (Park, 1996: 125). In the end, the strategy of the KMA, in positioning two physician-parliamentary members in the front line of the policy-making, was successful in inserting some of its interests into the bill.

5.4 Democratisation in the Country

While the final details of the new NHI scheme were being discussed, President Chun and his ruling party were facing serious civil unrest. On April 13 1987, President Chun had announced that he would not reform the constitution, and that the presidential election planned for December 1987 would be conducted under the existing constitutional law. The president would therefore be elected through a ballot of the electoral college. This electoral system had been used by President Park to ensure that his presidency would not be brought to an end through lack of public support. This announcement by President Chun provoked nationwide demonstrations. Many ordinary citizens and university students took part in the demonstrations, and violent confrontations broke out between demonstrators and police across the country. Opposition parties established the National Committee for Constitutional Reform to organise demonstrations for constitutional reform. As a result, on June 29 1987, the presidential candidate of the ruling party, Roh Tae Woo, pledged that he would introduce constitutional reform.[16] Roh commented that the Constitution would be amended to adopt a direct presidential election system.

[15] The proposal was submitted by Kim Jip and Park Sung Tae.
[16] This is called the *6.29 Declaration.*

Subsequently, the main political parties agreed on a new constitution whereby the president would be elected directly by the public. On December 16 1987, Roh Tae Woo was elected president through the new presidential electoral system (Oh, 1999: 99; Kwon, 1999: 60-61).

Despite the DJP's victory at the presidential election, the party failed to win even half the seats at the following 13th general election on April 26 1988. The main three opposition parties – the Party for Peace and Democracy (PPD) of Kim Dae Jung, the Reunification and Democratic Party (RDP) of Kim Young Sam and the New Democratic Republican Party (NDRP) of Kim Jong Pil – successfully obtained 56.7% of the National Assembly seats compared to 38.8% that the DJP had secured, which meant that the new president and the ruling party, the DJP, faced significant difficulties in taking the political lead during the Sixth Republic (Kwon, 1999: 63-64). It was expected that for the first time in Korean politics there would be confrontation between the president and the National Assembly.

Table 5-1 The Result of the 13th Presidential and General Election

	DJP, Roh Tae Woo	PPD, Kim Dae Jung	RDP, Kim Young Sam	NDRP, Kim Jong Pil
% of votes in the 13th presidential election	36.6 %	27.1 %	28.1 %	8.1 %
% of seats in the National Assembly, following the 13th general election	38.8 %	24.1 %	20.5 %	12.1 %

Source: Kwon, HJ (1999) p.64.

5.5 The Farmers' Movement

Soon after the NHI scheme for farming and fishing areas was implemented at the beginning of 1988, complaints from those insured in these areas began to surface. This was because, first of all, NHI contributions from those insured were higher than that of waged employees in the private sector, the government and the private schools. Secondly, the method for calculating the level of contributions was different from that of the NHI scheme for employees and teachers. Thirdly, the government set up a different health care delivery system for those insured in rural

areas so that they were obliged to make appointments at small and medium-sized medical institutions before they could make an appointment at larger medical institutions. Fourthly, the uneven distribution of medical institutions and practitioners in rural areas became a sensitive issue. And, fifthly, distrust of NHI local funding societies increased amongst those insured (Lee, 1991: 161).

Concerning the fifth aspect, in particular, questions had also begun to be raised about the process for appointing managing directors to NHI funding societies, not only in the political arena but also amongst the public.

Table 5-2 The Background of the Managing Directors of the NHI Funding Societies

	Governing Party	Military or Police	Civil Servant	Enterprise	Right Wing Org.	Expert	Others	Total
Seoul	6	3	3	4		5		21
Bu San	1	1	8			1	1	12
Dae Gu	1		3	1	2			7
In Cheon		1	4			1		6
Gwang Ju			3					3
Dae Cheon	1		4					5
Gyung Gi	4		7	1	2	1		15
Gwang Won	2		2		1	1		6
Chung Cheong	1		6					7
Jeon Ra	2		6	1	2			11
Gyung Sang	1	1	12		4		1	19
Je Ju			2					2
TOTAL	19	6	60	7	11	9	2	114
%	17	5.3	52.6	6.1	9.6	7.9	1.8	100.3

Source: The 1989 Parliamentary Inspection of State Administration, the National Assembly of the Republic of Korea (September 19 - October 7, 1989), p.163.

As shown in Table 5-2, 52.6% of the managing directors of funding societies were former civil servants. Moreover, 83.4% of the managing directors were from the ruling party, national defence institutions, the government or a right-wing organisation. Clearly, as illustrated above, most of the directors did not have a civilian background, and this therefore indicates why the funding societies had been losing credibility amongst the general population. In addition, those who had advocated a separate administration system had insisted that one of the merits of a separate system was greater autonomy over their funding society by those insured. However, the fact that most of the directors of the funding societies were appointed from particular political groups made it hard to claim that these societies were 'self-governing.'

Complaints over the new NHI scheme began to be voiced at a local level, but

it took time before these concerns developed into a collective movement. On January 15 1988, the Association for Farmers in Young Dong *Kun* (local district), in Northern Chung Cheong province, who had begun to organise collectively, delivered leaflets presenting their arguments on how the new scheme needed to be reformed. The leaflets were entitled, the *Claims of 80,000 Farmers in Young Dong*, and put forward the following demands (Ko, 1989: 124):

- The government should subsidise over 90% of NHI contributions for farmers and fishermen.
- Except for rich farmers, farmers and fishermen should be exempt from contributions.
- The NHI service should be free to families in poverty.
- Greater transparency is needed in the policies of the NHI funding societies.

Although farmers gradually began to raise their concerns over the design of the new NHI scheme, because they were so dispersed it was difficult to establish a unified voice to present the arguments of different groups to the government. In spite of being disorganised and dispersed, however, the activities of the farmers in the different regions continued to gain popularity across the country. Their major demands were as follows (Lee, 1991: 162; Ko, 1989: 124):

- NHI contributions should be significantly decreased.
- The number of medical establishments should be increased to cover those insured in rural areas.
- Those insured should be able to use any medical establishment in the country.
- The government should increase national subsidies.

Farmers demanded a comprehensive range of rights with regard to health provision, but their demands were not well developed or backed up with alternative plans to lobby the government.

5.6 The Government's Responses

President Roh appointed Kwon Ei Hyuk as Minister of Health and Social Affairs in his first cabinet in February 1988. The KMA was clearly influential in this appointment. Kwon had been a professor at the Medical School of Seoul National University, then president of the university and was later appointed as Minister of Education under the Chun regime.

Minister Kwon tried to understand the problems that had arisen from the NHI scheme for farmers and fishermen. He complained at his first meeting with ministers at the Economic Planning Board on February 27 1988 (Kim, 1988):

> How has the government allowed the NHI scheme for farmers and fishermen to develop into this dangerous situation? The NHI scheme will be expanded to the poor in urban areas next year, but how many times has this issue been discussed at ministerial meetings? The reason that the NHI scheme for farmers and fishermen is only now being considered as an important issue is because of the upcoming general election. Whenever I meet politicians, they complain that they are losing votes. This issue should be discussed seriously at the meeting (p.541).

The new government carried out a 'reshuffle' within the MoHSA: Rhee Doo Ho, former Assistant Minister for Planning and Management at the MoHSA and a strong supporter of reform, was appointed Vice-Minister of Health and Social Affairs. Rhee had been demoted to Deputy Director at the Environment Office within the MoHSA from Assistant Minister for Planning and Management as a result of the political conspiracy around the first reform movement in 1983. The new government called him back to the MoHSA on March 5 1988. On the other hand, Kim Jong Dae, Head of the Medical Insurance Bureau within the MoHSA and a strong supporter of a separate administration system, was moved to the post of Managing Director of the National Institute of Health, which was not directly involved with medical insurance policy. This change in personnel inside the MoHSA seemed to suggest that the government and Minister Kwon were lining-up a team to take forward change in medical insurance programme under pressure from farmers and other civic groups.

However, we need to look at three aspects in relation to this situation. Firstly, because of the general election scheduled for April 26, the government had to demonstrate that it was aware of public demands for reform, so it might have appointed Rhee, a reformist, at the MoHSA. In contrast, Kim, an anti-reformist, was demoted to a department within the MoHSA. Moreover, in keeping with the KMA's demand, the government appointed Kwon, a medical professional, as the Minister of Health and Social Affairs. However, this strategy can be seen as no more than a political gesture prior to the general election, as Minister Kwon left his post after only nine months, and Kim Jong Dae returned to the ministry when Minister Kwon was replaced by Minister Moon, who opposed the reform.

Secondly, Minister Kwon was in an ideal position to consider the NHI scheme, as he had stepped directly into the cabinet without any strong political associations (he had been a professor of medicine at a university) and was therefore relatively impartial compared to other cabinet members. Hence, Kwon might have been able to establish an administrative team to develop national health policy purely from the perspective of a medical practitioner.

As soon as Roh took over the presidency of the Sixth Republic, he and his government were confronted with a political crisis as a result of the implementation of the NHI scheme in rural areas. This was a crisis not only for civil servants but also for the political parties, as it broke out just before the 13th general election on April 26 1988. On April 1 1988, the government and the DJP held an urgent meeting to discuss the disorganised and slow introduction of the NHI scheme in rural areas. At that meeting, having a unified administration system was reconsidered. In addition, in order to raise revenue for national health care, two options were put forward: ① establishing an hypothecated tax, such as a health security tax; and ② levying an earmarked tax through income tax, property tax or value-added tax; but the government and the DJP settled the issue without making many changes (Moon, 1999: 336). With three weeks remaining to the general election, this idea of the government and the ruling party was risky and would be unfavourable to the electorate. On April 3 1988, the government overturned its initial idea. The government announced the following measures to counter the demands of the farmers (Lee, 1991: 197):

- The government would increase subsidies for rural areas from 35% to 50%.
- Those insured could pay contributions through a monthly or four-monthly payment scheme.
- The government would develop a health care delivery system which took into account the lifestyle of those insured in rural areas.
- The government would establish a *Deliberating Committee for National Health Policy* within the MoHSA.

However, these measures announced by the government did not significantly decrease the current malfunctioning of medical insurance. These measures were merely gestures of the government to reduce any political damage prior to a general election. Nevertheless, these measures announced by the government could be claimed to be a major achievement in that it was the first time in the history of Korea that the public had achieved its demands over government on welfare policy. But the measures were of course not enough to satisfy the farmers or fishermen. Farmers' movements protesting against the NHI scheme became more organised and widespread and pushed for more concessions. Furthermore, reformists from academia joined the farmers' movement and assisted them in developing sound arguments about reform of the NHI scheme. The farmers' arguments became more refined, and farmers began to lobby more aggressively against government policy.

With little idea of how to resolve the issues around the NHI scheme for rural areas, the scheme became an albatross around the neck of the new government of President Roh. Under pressure, on April 30 1988 the MoHSA established the *Deliberating Committee for National Health Policy,* a discussion forum which was directly responsible to the minister. Park Jong Ki, former Head of Health Planning Team at the Korea Development Institute (KDI), and Rhee Doo Ho, Vice-Minister of Health and Social Affairs, were appointed as joint chairs of the committee. The committee was set up to consider: ① health security; ② a system for separating the prescribing and dispensing of drugs; ③ delivery of medical services; and ④ the development of oriental medicine.

The main purpose behind establishing the committee was to consider the complaints of the farmers. However, it provoked more complaints from farmers because the committee was composed mainly of representatives of the medical providers and the insurers, including the Korean Medical Insurance Corporation (KMIC) and the National Federation of Medical Insurance (NFMI), and excluded any representation from farming or fishery (Han Kyo Reh, June 21 1988). The government still did not consider farmers as stakeholders in the medical insurance programme.

5.7 The Organised Farmers and Academics

On April 16 1988, the farmers and fishermen eventually had an opportunity to unite their disparate demands when farmers' groups, progressive medical associations and urban poverty groups held a *Joint Forum for Securing Health Rights for Farmers and Fishermen*, in Chong Rho Catholic Church in Seoul. At the forum, delegates put forward the following joint statement (Lee, 1991: 168-169):[17]

- Abolish NHI funding societies under the separate systems that are based on the principle of private insurance.
- Implement a medical insurance programme under a unified administration system on the same principle as social security.
- Significantly decrease the financial burden of farmers and fishermen by setting a fair rate for NHI contributions based on their actual income.
- Increase government subsidies to the NHI grant for rural areas by 50%.
- Expand the Medical Aid programme for the poor living in rural areas.
- Caution senior officials at NHI funding societies and in the MoHSA who have opposed reforms in order to maintain their own vested interests.

[17] The groups who participated in the joint forum included:
Catholic Farmers Association, Catholic Female Farmers Association, National Association of Farmers, Korean Federation of Christian Farmers, Association of Pharmacists for a Healthy Society, Christian Association for Poverty Medicine, Korean Institute for the Farming and Fishery Society, Christian Association of Young Doctors, Catholic Association for Urban Poverty, etc.

Building on this opportunity, the movement formed the *Subcommittee for Organising the Farmers' Committee for Promoting Medical Insurance* on April 18. On June 28 1988, the *National Committee for Countermeasure for Medical Insurance* (NCCMI) was established in the Dae-Jeon Farmers' Hall. It developed into a well-organised movement across the country to lobby for its demands for reform of the NHI scheme. At the inaugural meeting, the committee declared the following (Lee, 1991: 169; Han Kyo Reh, June 30 1988):

- We have a right to a healthy life.
- We reject the commodification of medicine which disregards human life.
- We believe that the current separate NHI system is not the right system to provide medical services for the poor. This programme exploits the poor as well as farmers and fishermen.
- We have organised a national movement to achieve NHI reform. To achieve reform, we will carry out ongoing national activities to educate the public.
- We will actively expand our movement nationally to achieve reform.

To accomplish the above aims, the NCCMI announced: ① the launch of a petition with the aim of obtaining one million signatures; ② refusal to pay contributions; ③ a lobbying campaign; and ④ promotional and educational activities based in rural and urban poverty areas (Association of Physicians for Humanism, 1988: 4; Han Kyo Reh, June 30 1988). Through the series of announcements introduced by farmers' organisations, it is evident that their arguments had become more refined and professionally developed because experts assisted farmers in building up logical thought.

Meanwhile, these professionals began to publicise their arguments for reform. In July 1988, eleven academics introduced a paper, *Proposal for the Unified NHI Scheme*, urging that reforms be implemented. This paper provoked academic debates on reforming the NHI scheme in Korea.[18] Against that, subsequently in

[18] Interview with Professor Kim Young Mo, leader of the reformist academic group and government adviser.

August, a group of twenty academics and researchers who opposed the reform published a paper, *Suggestions for Developing the NHI Scheme: a Review of the Proposal for a Unified NHI Scheme*, which rejected the ideas of the reformists (Yoo, 1996: 165). Again, two opposing groups of academics sparked a serious academic debate on medical insurance reform.

The MoHSA and the CoHSA held a public meeting in August 1988 indicating that the government seemed keen to resolve the divisive issue of reform of the NHI scheme. At the same time, the two groups of academics, each supporting a different administration system, hotly debated the issue in public as a means of promoting their views to government institutions.

The representative of the anti-reformist side, Moon Ok Ryun[19] put forward five points (Yoo, 1996: 166):

- The medical insurance policy should be primarily concerned with matters of medical provision and use.
- Income redistribution is almost impossible to achieve through the national medical insurance programme. It would be better to obtain income redistribution, through the Medical Aid scheme or the public health service.
- To encompass both employees and the self-employed under a unified system has not been yet tried out anywhere in the world.
- If a unified administration system commands popular support, a tax-based health service may be a better option than one financed through a social insurance programme.
- It would be particularly difficult to establish a unified administration system and set contribution levels because of the difficulties of establishing the income of those who are self-employed.

In contrast, Cha Heung Bong addressed the following arguments on behalf of the reformist side (Cha, 1996: 166):

[19] He is a professor of the School of Public Health at Seoul National University and also a medical doctor of preventive medicine.

- As the NHI funding societies under the current separate system are mutual societies, it would not be appropriate to maintain the principle of social insurance.
- The benefits of risk pooling and income redistribution are limited to each funding society.
- There is no equity in the rate of contributions under the current scheme.
- The current separate system has been incurring unnecessary administrative costs.

The research division of the NCCMI submitted a far more progressive plan in relation to the reform. On August 9 1988, the research division suggested a National Health Service (NHS) based on government tax revenue. More surprisingly, this proposal was introduced by medical practitioners on the Special Committee on Medical Insurance at the Association of Physicians for Humanism.[20] This proposal [about NHS] was put forward on September 3 at a symposium held by the Association of Physicians for Humanism, where the following points were made (Lee, 1991: 170):

- A comprehensive health care is only possible under the responsibility of the government.
- There would be administrative savings.
- There is no need for separation of two health care programmes: Medical Insurance and Medical Aid schemes.
- Income redistribution and equity of contributions could be achieved by introducing more progressive taxes under an NHS system.

However, the farmers' groups and the research division at the NCCMI could not reach an agreement on proposals for an alternative health care system. Thus, members of the NCCMI delayed taking a policy stance until its general meeting. At

the NCCMI's meeting at Dae Jeon Catholic Hall in the City of Dae Jeon on September 10, the issue was debated with social policy experts. There academic experts argued for unification of the NHI scheme but the research division at the NCCMI continued to promote the NHS style policy that they wanted to propose to the government. But members of the farmers' group argued that it would be difficult for them to change completely their policy stance and embrace the NHS proposal rather than lobby for a unified NHI scheme. Hence, they finally decided to lobby for a unified administration system (Association of Physicians for Humanism, 1988: 5).

In fact, it would have been difficult for the farmers to adopt the alternative policy given the current circumstances. Firstly, it was clear that the government would reject the idea of an NHS system because it wanted to minimise government responsibility for national health care as mentioned earlier. In addition, since the farmers' group was not fully accepted as a negotiating partner in the policy-making process, the first priority for the farmers was to open talks with the government to discuss their demands. Because of this, a more reasonable and acceptable proposal had to be crafted in order to open up discussions between the concerned parties. Secondly, the general public was not ready to accept such a progressive idea as a NHS. Up to this point, the health care programme in Korea had only provided benefits for a limited number of people so that the majority had no understanding of nor experience with national health care policy. For this reason, discussion over whether to opt for the NHI or the NHS style of health care programme was of little interest to the general public. The average Korean could not see why they might benefit from any kind of government-sponsored, health-care system.

In the end, the NCCMI decided to keep pursuing reform under a unified administration system but to include some aspects of the NHS system. On September 11 1988, the NCCMI set up the Special Committee for Legislation to take forward the points that had been agreed at the conference. On October 8, it published the *Proposal for National Medical Security,* which proposed the following (National Committee for Countermeasures for Medical Insurance, 1988: 21):

---

[20] This is an association organised by progressive young medical practitioners.

- Use a progressive rate to calculate contributions.
- Adjust the contribution rate so that lower income groups pay less and higher income groups pay more.
- Increase government responsibility by increasing government subsidies.
- Put an end to the stigma associated with the Medical Aid scheme by merging the Medical Insurance and the Medical Aid schemes.
- Lower the out-of-pocket payments of those insured (under 10/100).
- Establish the same medical delivery system for the insured living in rural areas as the one delivered under the NHI schemes in urban areas.

It is necessary to note that the NCCMI made two important demands for reform: 'increasing government subsidies' and 'lowering the out-of-pocket payment.' Because of the 'low maintenance' strategy of the government on the medical insurance, the levels of benefits from and of government subsidies to the NHI scheme had been low. Thus, the insured had to contribute a large amount in out-of-pocket payment. This low benefit system caused financial burdens for the lower-income class, such as farmers and fishermen, in accessing medical treatment (see Table 5-3).

Table 5-3 The Out of Pocket Payment of the Insurer & Insured by Year: 1983 - 1996 (Unit: %)

	1983-1988			1993			1995			1996		
	In-Patient	Out-patient	Total	In-patient	Out-patient	Total	In-patient	Out-patient	Total	In-patient	Out-patient	Total
Payments by the Insurer	59.7	33.0	59.5	54.7	34.7	47.6	54.2	38.0	53.9	56.4	36.4	56.1
Out of Pocket Payments by the Insured	40.3	67.0	40.5	45.3	65.3	52.4	45.8	62.0	46.1	43.6	63.6	43.9
	100	100	100	100	100	100	100	100	100	100	100	100

Source: Applied from Shin, J.O. (1997) *An Analysis of the Level of Benefits and Out of Pocket Payments in the Medical Insurance*, Health and Welfare Policy Forum, Korea Institute for Health and Social Affairs, Vol.9, June, p.21

With this proposal agreed, the NCCMI began to lobby the relevant institutions with their demands. This proposal of the NCCMI contributed significantly to achieving a reform bill, the National Medical Insurance Act, which was passed in the National Assembly in 1989.

5.8 Politics in the National Assembly

Using a different tack, the KMA decided to lobby members of the National Assembly from opposition parties who were medical professionals. They called for: ① greater local coverage of the NHI funding system (i.e. at city level); ② a change from the current 'compulsory appointing system' to the NHI provider to a 'contract system'; ③ the establishment of a commission to set fee schedules; ④ the establishment of a review body to consider the NHI grant; ⑤ the establishment of a compensation fund for legal medical cases; and ⑥ reimbursement for medical providers when payment is delayed. The KMA officially presented the *Petition for a Medical Insurance Act* on November 18 1988. The proposal was put to the CoHSA by Park Byung Sun, a New Democratic Republican Party (NDRP) member of the National Assembly (Lee, 1991: 187).

Importantly, Moon Tae Joon, the President of the KMA, and Park, had been longstanding colleagues; they were both graduates from the Medical School at Seoul National University and had trained together as surgeons. In addition, while Moon became a politician of the Democratic Republican Party, Park Byung Sun was also involved in the party. When Moon as President of the KMA was appointed Minister of Health and Social Affairs, Park was elected to the National Assembly at the 13th general election in April 1988. With their shared background, Moon was able to ask Park to bring the KMA's political demands to the National Assembly.[21]

At a plenary session of the National Assembly in November 1988, the parliamentary members had to deal with the NHI issue for the first time since the controversy over reform began in the early 1980s. At the time, it was a sensitive issue for all political parties because the general public were now aware of problems with the NHI scheme, so it was no longer an issue of interest to just a few civil

[21] Interview with Yoo, Chief Editor of the Newspaper of the Korean Medical Association.

servants and members of the National Assembly. It was also a crucial moment because it was a last stage of extending coverage to the entire population. The PPD and the RDP prepared the NHI reform bill, which introduced plans for a unified NHI scheme, and aimed to get the bill passed in that parliamentary session (Cha, 1992: 347).[22] However, there was not enough time for the bill to be introduced in that session, and it was suspended until the next session in the following year. On December 5 1988, meanwhile, the Minister of Health and Social Affairs was replaced by Moon Tae Joon, a former member of the National Assembly and the current President of the KMA.[23]

Why did the government replace the minister at such a critical time, when the reforms were being discussed and just before the implementation of an NHI scheme for the entire population? Prior to the expansion of the scheme, which would be remembered as a major political and historical achievement by President Roh, the government expected the opposition parties to introduce a reform bill alongside the government's amendment bill. In order to deal with the political situation, it was important that there be a minister at the MoHSA with a strong political background. Moon was a member of the Democratic Republican Party (DRP) [the mother party of the New Democratic Republican Party (NDRP)], and an experienced politician under the Park regime. The government could therefore rely on Moon with his excellent political skills and good relations with other politicians and parties to deal with issues on the NHI scheme.

Whereas the PPD and the RDP were planning to introduce a bill to reform the NHI scheme, the NDRP had no policy on reforming the current medical insurance scheme. Thus, if Moon succeeded in gaining support from the NDRP by using his political skills and the natural affinity between the DRP and the NDRP[24], it would be possible for the government to ignore the calls for reform from the opposition parties. Moreover, it would be expected that the KMA would support the

---

[22] The PPD submitted the *Bill for the National Medical Insurance Act,* while the RDP proposed the *Bill for the National Health Insurance Act.*

[23] Minister Moon was a medical doctor and a Democratic Republican Party member of the National Assembly, the ruling party under President Park's regime from 1967 to 1980. Until just before his appointment as Minister of Health and Social Affairs, he had been President of the Korean Medical Association (KMA) since 1979.

[24] The NDRP was a successor to the DRP.

government's stance due to the influence of Moon, who had previously been its leader, in the perspective of the government. The government had also provided a sweetener by appointing another medical doctor to the post of Minister of Health and Social Affairs. Hence, the government had served two purposes by recruiting Minister Moon to the cabinet.

In February 1989, a special parliamentary session began, and the CoHSA held a public hearing to discuss the bill to reform the NHI scheme. The CoHSA was willing to hold a special session to get the bill passed because party members wanted the issues around reform of the NHI to be sorted out before the NHI scheme's implementation in urban areas, which was scheduled for 1989. During the session, the PPD and the RDP agreed on aspects of the blueprint put forward by the NCCMI and the group of academics who had called for a unified NHI scheme. However, the NDRP introduced a bill which reflected the interests of doctors and left out any real attempt at reform. The NDRP bill included: ① a change from the 'current compulsory appointing system' of medical providers to a 'contract system'; ② the establishment of a review body to consider fee schedules; and ③ setting a fair NHI price for medical services (Yoo, 1996: 166; Cha, 1992: 347). The proposals put forward by the NDRP had been strongly influenced by the KMA as a result of aggressive lobbying on their part. The main reason that the KMA had called for a contract system was to press the government for greater professional and economic autonomy, a long-cherished wish of the medical profession (Moon, 1999: 346).[25]

The contents of the NDRP's bill infuriated farmers in rural areas. The bill of the NDRP was submitted by Park Byung Sun and 34 other members at the 145th special session of the National Assembly in February 1989. The bill reflected the government's proposals and the interests of the KMA. It provoked the NCCMI and farmers to occupy the NDRP's headquarters in February 1989, and to demonstrate for twenty days demanding that changes be made to the party's proposal for reform. As a result, the NDRP backed down, gave in to the NCCMI's and farmers' demands,

[25] The contract system had been highlighted as one of the most important points for the KMA along with the fee schedule when Minister Moon had been president. The KMA put these points forward in the *Policy Direction of the KMA Regarding the NHI Scheme for the Entire Population*, published in June 1986.

and supported the reform bills of the PPD and the RDP (Cha, 1992: 348).[26] Why did the NDRP decide to give in to the demands of farmers? All four party leaders and their members had strong regional support. In particular, Kim Jong Pil, the leader of the NDRP, and the members of his party had been strongly supported in the Chung Cheong area, in the middle of the country where the majority of the population consisted of farmers. Since the constituencies of most parliamentary members of the party were based on that particular region, the party had to make concession to the farmers. Otherwise the party would lose votes.

This compromise significantly damaged government plans; because the government had a small majority at the National Assembly, the U-turn by the NDRP provided an obvious advantage to the opposition parties. A few times, Minister Moon visited Kim Jong Pil, the leader of the NDRP, to persuade him to change the NDRP's stance but without success. Moon even asked Kim Jong Pil to do it as a favour to him and played on their longstanding relationship.[27] However, his efforts failed to convince the party leader (Moon, 1999: 351).

In the meantime, at the National Assembly, the KMA became more aggressive in pushing for its demands to be included in any medical insurance legislation. At a special board meeting on February 24, doctors agreed to return their certificates allowing them to practice as NHI medical providers to the government, unless their demands were reflected in the bill (Lee, 1991: 188).

5.9 Minister Moon and the KMA

According to Minister Moon (1999), the issue of reform became the main subject of debate in the political arena. Thus, he reported to President Roh that the arguments for reform of the NHI scheme were becoming an obstacle to pursuing a national health policy, and were creating dissent amongst the political parties, the MoHSA and academics. President Roh reminded the minister that the reform issue had already been addressed when Roh was a delegate of the DJP during the Chun regime. It agreed that initially a separate system would be set up and then a unified

[26] For more details about the bill introduced by each political party and the KMA, see Appendix III.
[27] The NDRP was derived from the Democratic Republican Party (DRP) under the Park regime. Minister Moon worked as a politician for the DRP from 1967 to 1980 with Kim Jong Pil, the leader of the NDRP.

system would be considered when Gross National Product (GNP) reached over $10,000 or $20,000 per capita of population. Following the discussion with President Roh, Minister Moon told him that he would prepare plans for an NHI scheme for the entire population under a separate system, building on the experience of similar administrative schemes, rather than implementing a new system which had yet to be tested (p.349).

At this point, we need to pay attention to the president's changing attitudes on the medical insurance reform. When Moon was the President of the KMA, he had supported a unified system. However, he began to oppose this system when he became minister.[28] What made him support the reform before and why did he change his stance after the appointment of the Minster of the Health and Social Affairs? The reason he supported the reform was related to the KMA's general interest in the reform. Thus, we need to examine the KMA's interest to answer this question. The aims of the KMA on the reform were mainly to achieve two goals: a 'simplified administration system', and a 'contract system' for setting fee schedules and for appointing medical providers. Firstly, the KMA thought that medical providers would receive their fees from a funding authority more promptly under the unified system. Medical providers often waited a long time to receive their fees because of delays caused by different administrative procedures as a result of the fragmented system of funding societies.

Secondly, the executives of the KMA had continuously looked towards achieving professional and economic autonomy through the contract system (Ko, 1989: 131). Under the current system of appointing medical providers and of setting fee schedules regulated by the government, medical professionals found it difficult to feel independent and to be free to carry out their professional duties. The increasing number of doctors and medical institutions in the country under this top-down style system had also significantly affected their professional and financial status. To regain their professional autonomy and increase their political influence, the contract system was a key for the KMA. Thus, doctors had attempted to insert a contract system into the NHI legislation through the reform. This issue has remained a sensitive subject for executives at the KMA. For example, a case which

[28] Interview with Yoo, Chief Editor of the Newspaper of the KMA.

occurred in 2000 shows how crucial a matter it was for the KMA. On August 1 2000, executives of the KMA appealed to the Constitutional Court that Article 40.1 of the National Health Insurance Act passed in 1998, which regulated all medical institutions classified as NHI service providers, violated their right to private practice (Dong A Il-Bo, August 3 2000). Eventually, the reason the KMA supported the NHI reform was due to its self-interests.

Despite Moon's change of position, the KMA continued to support the reform in favour of these underlying reasons. To draw support from the KMA, meanwhile, the opposition parties included these two sweeteners – a 'contract system' and a 'unified administration system' – in the reform bill.

Because Moon supported the reform as a representative of the KMA, he was selected as an advisory member of the *Commission for Adjusting Economic Structure* under the direct control of the president to represent the reformist side.[29] However, he moved to the anti-reformist side with his appointment as the Minister of Health and Social Affairs while in the commission. It is likely that senior civil servants in the anti-reformist side in the ministry managed to persuade the minister against such a reform that would cause the autonomy of doctors to deteriorate. We can see this possibility from his changing perspective regarding the reform in his autobiography (Moon, 1999):

> From a medical professional's point of view [after the NHI reform] since a massive [state] insurance agency provided medical services to citizens, medical professionals would no longer stand at the centre of supplying medicine. Hence, I was afraid that there would be a huge change in the relationship between the doctor and the patient after the reform (p.354).

As implied above, he was concerned that following the implementation of the medical insurance reform, medical professionals might lose their professional status. As the scheme would be governed by a state agency, he seemed to believe that medical doctors would be reliant upon the state authority. This point of view of Moon was different from that on which Moon insisted while he was the President of the KMA. Thus, it is possible that he was influenced by the anti-reformist civil

[29] Interview with Professor Kim, former adviser for the MoHSA, the Office of the Prime Minister

servants in the ministry while in his ministerial post.

Second, in the end, Moon had never been a strong supporter of the reform. Moon possessed conservative views about welfare and urged that social welfare programmes in Korea be based on a liberal-market economy (Moon, 1999: 357).

From what we have seen so far, we can note the dualism that existed between his actual actions taken in the KMA and his personal philosophy on the reform. This gives us an ambiguous and inconsistent message through which to analyse his political attitudes during his ministerial post in the MoHSA. In the end, it seems that he was a politician and tended to work this matter out in the light of political pressures.

5.10 The National Medical Insurance Act and the Veto of the President

At the same time, with Kim Jong Dae's return to the position of Director-General of Public Information in the MoHSA in 1989, Minister Moon's staff were solidly opposed to the NHI reform bill. Thus, the minister was able to take a strong stand with Youn Sung Tae, Assistant Minister for Planning and Management, and Director-General Kim against the supporters for reform of the NHI scheme in the National Assembly as well as within the MoHSA.

On February 23 1989, the three major opposition parties - the PPD, the RDP and the NDRP - agreed upon a bill for reform, *Bill for the National Medical Insurance Act,* following lengthy meetings of the Subcommittee for Examining the Bill established by the CoHSA (Lee, 1991:194). Then, the leaders of the three opposition parties agreed to put together a proposal and to legislate for the bill at the 145th special session of the National Assembly on March 3 1989 (Moon, 1999:351). Minister Moon immediately requested a meeting between the government and the ruling party. At the meeting, the government and ruling party discussed the possibility of rejecting the bill, but it was agreed that such a rejection of the bill would benefit neither the ruling party nor the government so close to the approach of the mid-term evaluation of the presidency. During his political campaign, President

---

and the Commission for Adjusting Economic Structure.

Roh had promised that he would initiate a mid-term evaluation from the public if he was elected president. He had stressed that he would assume complete responsibility if the result of that evaluation was negative. He said that he would resign as president if he did not have the confidence of the nation at that time (Woo, 2001). This public pledge was the crucial card Roh and the DJP played in order to win the presidential election. This was risky but necessary in order for them to clinch the election for President Roh. As an alternative to rejecting the bill, the party had decided to obstruct the bill at the special parliamentary session. They also decided that if the first plan failed, they would attempt to remove unfavourable articles in the bill and suspend implementation for as long as possible to give them time to prepare another amendment bill (Moon, 1999: 351).

Despite resistance from the government and the DJP, the bill was passed by the CoHSA on March 8 1989, and the bill was finally legislated in the 145th special session of the National Assembly on March 9 1989. Interestingly, at the National Assembly, members of the ruling party supported the reform bill proposed by the opposition parties.

But why did the DJP suddenly change its stance to support the reform bill at the National Assembly? First, many of the DJP members of the National Assembly – especially the CoHSA members – still supported reform. Second, although agreement had been reached between the government and the DJP to pursue an NHI scheme for the entire population under a separate system, the agreement had failed to persuade all members in the party (Cha, 1992: 348). Lastly and most importantly, the DJP might have decided that rejecting the reform bill would not be helpful, with the presidential mid-evaluation imminent.

However, the Chair of the DJP stressed the need for the reform bill to be amended at a press conference on March 10. On the same day, at another official press conference, the Minister of Health and Social Affairs pointed out that the reform bill needed to be reviewed and might be vetoed by the president (Moon, 1999: 355).

On March 10 1989, the NFMI began to resist reform. The NFMI did this by issuing negative statements which were printed in nine major daily newspapers. The NFMI also issued a statement, *Opposing the Bill of the Unified NHI Scheme*, on

behalf of all the NHI funding societies. The statement argued that the idea behind the reform of the NHI scheme was to take away democracy and autonomy (Lee, 1991:184). In addition, the MoHSA had been providing statements opposing the reform bill to the media since March 8. As they had done in the first reform debate, most daily newspapers published special sections outlining the case against the reform bill. They mainly emphasised "the increasing financial burden of the wage earners after the reform" (Han Kook Il Bo, March 9 1989; Chosun Il Bo, March 9 1989; Dong A Il Bo, March 8 1989; Joong Ang Il Bo, March 8 1989). It was Kim Jong Dae who released these statements to the press. At this time, as Kim held the position of the Director-General of Public Information, which was in charge of the public and media relations, he could easily spread this information to the public through the press (Han Kyo Reh, March 16 1989). The statements he released to the media were not fully authorised and verified by the top-executives in the ministry but were more likely personal reports which were created by a managing director of a local funding society and Kim. They mainly concentrated on three points regarding the reform: ① the sudden expansion of insurance finance; ② huge lay off of the funding society employees; and ③ the burden on the national economic growth.[30]

On March 15, the Korean Employers' Federation (KEF) expressed opposition to the reform bill, and the Federation of Korean Trade Unions (FKTU) published the following statement on the reform bill (Lee, 1991):

> The idea of a unified NHI scheme is reasonable and the FKTU supports the reform as a long-term plan. However, for labourers under the system proposed by the current reform bill, we are being asked to give up the benefits we enjoy under the existing system, which has a separate administrative structure. Therefore, the current position of labour is that a health care system should be set up under a social security programme, based upon a national consensus and created by integrating the interests of all the different social classes, and by getting rid of the obstacles to reform (p.172).[31]

---

[30] This fact was also discovered from some interviewees and anonymous documents.

[31] The *Position of the FKTU for Improving the Medical Insurance System*, March 15 1989, quoted from Lee (1991) p.172.

This ambiguous message from the FKTU was reported in some daily newspapers, as saying labour opposed the reform. On April 1989, to counter the bad press it had received, the FKTU issued the *FKTU's Position Regarding the National Medical Insurance Act,* to make its previous message more explicit and to outline its supports for the reform. Its statement made the following points (Lee, 1991: 172-173):

- It would appear that the financial burden of waged employees will not be doubled as a result of the NHI reform.[32]
- The current separate system has undermined moves towards income redistribution.
- It is said that the government is not able to set a reasonable contribution rate. But according to a source at the MoHSA, it is possible to levy a reasonable rate.

It is necessary to note the reaction of the FKTU. The FKTU did not express a clear view on NHI reform. It often changed its position on a unified or separate administration system during the debates at the beginning of the 1980s. The organisation repeated the same action as at the first debate. At the second reform movement, as they said through their statement, the FKTU ultimately supported the reform, but it did not want the sudden changes to the NHI system because it was afraid of losing the benefit it had under the existing scheme. The FKTU suggested that the administrative system of the NHI funding societies should be unified but the financing of the system remain separate. This means that the FKTU did not fundamentally agree to share the savings of contributions of the insured in the private sector with those in non-private sectors. It can be interpreted that: first, the FKTU possessed liberal and conservative perspectives in terms of approaching welfare; second, this organisation was still stuck in the political influence of the government. This view of the FKTU on the NHI scheme can be traced back to the relationship between government and the trade unions' organisation. As the FKTU has shown a corporatist relationship with the government since its establishment, the

[32] One of the main points insisted upon by the anti-reformist side to persuade those insured was that private sector employees would have to pay twice as much for NHI than under the current separate

organisation has never been free to speak out its sensitive political opinions, especially about policy decisions led by government. Practically, as many white-collar members had received benefits from the current scheme, it would not be easy for the FKTU to support the reform.

On March 11 1989, a meeting was held between officials from the Presidential Secretariat Office, a senior politician from the DJP and cabinet ministers to discuss opposition to the reform bill.[33] They considered rejecting the reform bill and three pieces of labour legislation which had been passed alongside the bill in the special session at the National Assembly. Accordingly, at a conference on March 15, headed up by the deputy prime minister, cabinet members agreed to suggest to President Roh that the bill be vetoed (Moon, 1999: 356-358; Dong A Il Bo, March 16 1989). The underlying reason for this was the following issue, which could warrant a presidential veto (Moon, 1999: 358-359; Cha, 1992: 351):

> According to Article 5 of the Act, the NHI funding societies were to be dismantled, and the rights and duties of the societies were to be succeeded by a national funding authority. As a result, the funds of the members of the existing funding societies would be transferred to a national funding authority and would be used for the medical expenses of people who were not previously members of the societies. Therefore, this bill possibly contravened property rights set out in the constitution.[34]

On March 16, meanwhile, the DJP executives held a meeting to discuss the four bills passed by the National Assembly. They reached an early agreement to veto the Labour Union Law and the Local Self-Governing System Act, but they were not able to agree on how to take forward the National Medical Insurance Act

---

system after reform.

[33] Officials from the Presidential Secretariat Office, the Director of the Legislative Office, an executive member of the DJP, the Chair of the Legislative Committee at the National Assembly, the Minister of Home Affairs, the Minister of Health and Social Affairs and the Minister of Labour attended the meeting (Moon, 1999: 356).

[34] Before implementing the National Health Insurance Act – the NHI reform scheme – under the government of Kim Dae Jung in July 2000, opponents of the reform appealed to the Constitutional Court for the same reason; that a unified NHI scheme was a breach of the constitution, as it would infringe upon human rights and property rights. However, the Constitutional Court ruled that it was

and the Labour Dispute Intervention Law. Even members of the party could not agree on whether to veto these pieces of legislation. As both laws had been passed by the National Assembly with the unanimous consent of the ruling and opposition parties (whereas the other two legislation – the Labour Union Law and the Local Self-Governing System Act – were only passed by opposition parties), it was clear that a veto would provoke significant resistance from the opposition parties and the general public (Kook Min Il Bo, March 16 1989).

Within the MoHSA during the veto stage of the reform bill, anti-reformist civil servants approved a veto without the consent of Vice-Minster Rhee, a strong supporter of the reform. They then issued a statement from the ministry that the National Medical Insurance Act could not be implemented. This occurred because the anti-reformists in the ministry suspected that the vice-minister would not approve the veto.[35]

On March 17, the three opposition parties requested that government withdraw the veto on the reform bill (Han Kyo Rye, March 18 1989):

> We believe that the veto, without valid reason, on the bill, which was passed by ruling and opposition parties at the National Assembly, is a serious challenge to the voting rights of the Assembly and by choosing to ignore the National Assembly represents a move backwards in political reform.

However, President Roh announced the suspension of the mid-term evaluation of the presidency scheduled for March 20, and subsequently on March 24 1989 vetoed all four bills (the National Medical Insurance Act, the Labour Union Act, the Labour Dispute Intervention Act and the Local Self-Governing System Act) in spite of promising NHI reform as part of his manifesto during the presidential election campaign the year before.[36] According to Kwon (1999), the reasons that the president broke his election promise can be described thus: firstly, he had not

---

constitutional (Dong A Il Bo, June 29 2000).

[35] Interview with Rhee, former Vice-Minister of Health and Social Affairs.

[36] In order to relieve the pressure on him in relation to the reform, President Roh broke his promise to the country, by suspending the mid-term evaluation. Subsequent promises for presidential mid-term evaluations were never kept.

anticipated that the opposition parties would come to dominate the National Assembly. Although President Roh thought that in due course a national fund was inevitable, he did not want to be pushed around by the National Assembly. Secondly, he feared that he had a lot to lose and not much to gain from a merger of health funds into one national fund. The transfer of money from the funds might be used by others who would make greater use of the health service and contribute less. From the president's point of view, it would be politically unwise to risk alienating his main supporters in a clash with a hostile National Assembly (pp. 66-67).

Nevertheless, the most significant contribution in making possible the veto of the reform bill was the cancellation of the mid-term evaluation of the presidency. As mentioned above, the ruling party decided not to oppose the National Medical Insurance bill to avoid any negative impact on the president and the party prior to the mid-term evaluation of the presidency. With its cancellation, the president and the DJP were able to veto the reform bill. This decision was critically dangerous for the president and the ruling party because it could weaken their political justification and could also damage the legitimacy of the Roh administration. First, as the reform bill was passed under the full agreement of the ruling and opposition parties in the National Assembly, it was difficult to seek an appropriate explanation to account for the veto. Second, President Roh broke his political pledge in order to escape from the medical insurance and labour reforms. Under the on-going process of democracy in Korean society, this unreasonable decision of the president was not easily acceptable to citizens.

If the National Medical Insurance bill had not been passed with three labour laws – the Labour Standard Act, the Labour Union Act and the Labour Dispute Intervention Act – it might have been possible to implement the reform bill without incurring a presidential veto.[37] The previous two conservative-authoritarian governments under the Park and Chun regimes had suppressed employment rights for decades. Under these regimes, trade unions had continuously demanded basic rights for workers from the government. Prior to and after the 'June 29 Declaration' in 1987, the number of trade union movements and strikes increased dramatically. Labour's rights had become a hot potato in Korean politics since the mid-1980s, and

thus the trade union movement was not greatly favoured by President Roh and his party.

Table 5-4 The Number of Labour Strikes in Korea

1975	1980	1985	1986	1987	1988	1989
52	206	265	276	3749	1873	1616

Source: International Labour Organisation (ILO) *LABORSTA: Display Module*, http://laborsta.ilo.org/cgi-bin/broker.exe

The three labour laws proposed at the special session of the National Assembly were a serious challenge to the Roh regime, so that the Roh government was not likely to allow these laws to be enacted. So, the government's primary concern had been to veto the labour laws. Although the Roh government opposed the NHI reform bill, it was difficult for the government to reject just that bill alone under the democratic process at the end of the 1980s. Moreover, as the reform bill had been passed with the unanimous support of the members of the DJP and the opposition parties at the National Assembly, the executives of the ruling party and the government were not able to find any good reason to veto the bill. Also, it was obvious that the public would resist the veto of the president in the circumstance. Therefore, if the National Medical Insurance Act had been introduced on its own – or at least not alongside any labour legislation – the government might have been forced to implement the reform legislation whether it liked the reform or not.

On the other hand, if the government ditched the three labour laws all together, it was obvious that the trade unions would increase their militant stance against the government. Thus, the government might have decided to veto two of the labour laws, providing an opportunity for the government to include the National Medical Insurance Act as one of the vetoed items. Thus, the government was able to diffuse the resistance from the labour and the general public. As a result, an NHI scheme for the entire population was achieved under a separate administration system.[38]

[37] Interview with Rhee, former Vice-Minster of Health and Social Affairs.

5.11 The Roles of Participating Actors

If the policy process of the first movement for reform was described by political wrangling between the government and the National Assembly, including disagreement within the MoHSA, the second reform movement was defined by more complex clashes between the government, the National Assembly, and various interest groups.

Strong democratic movements in Korea during the 1980s provided an ideal environment to put pressure on the government and the National Assembly into reforming national health policy through expanding the NHI scheme to the entire population. However, attempts at reform eventually failed because of the political views of the president and particular members of the ruling party and the cabinet, even though reform legislation was passed at the National Assembly with the unanimous support of all political parties.

The different political influences on the second reform movement can be summarised as:

First of all, at government level, the MoHSA continued to play a crucial leading role on health policy. But unlike during the first movement, the MoHSA strongly supported the existing separate administration system for the NHI scheme. Following the removal of senior civil servants who had supported the reform in the MoHSA, the ministry pursued an agenda to establish an NHI scheme under a separate administration system.

From 1985 to 1989, there were three different ministers at the MoHSA . The ministers included a conservative politician from the ruling party and two politicians with a medical background – one who served in the cabinet under the Chun regime and the other from the ruling conservative party under the Park regime. The two politicians with a medical background were appointed as ministers in response to demands from the KMA. They held conservative values with regard to health policy.

---

[38] The Roh administration exerted its veto points on seven pieces of legislation in one year.

Table 5-5 List of Ministers of the MoHSA during the Second Reform Movement

Name	Career	Period
Rhee Hai Won	MP of Ruling Party	2/1985 - 2/1988
Kwon Ei Hyuk	Medical Doctor, President of Seoul National Univ.	2/1988 - 12/1988
Moon Tae Joon	Medical Doctor, President of KMA	12/1988 - 7/1989

Source: Applied from Ministry of Health and Welfare (1998) *The White Paper of Health and Welfare*; Youn Hap Tong Shin (1999) *Korean Biographical Dictionary*

In addition, when two senior civil servants who had strongly opposed the NHI reform returned from the Presidential Secretariat Office to take up crucial positions within the MoHSA, the ministry developed strong support for a separate system.

The EPB was more actively involved in policy-making during the second movement for reform. The EPB, as the department in charge of national budgets, had to consider carefully the most efficient administration system for the new scheme because that would directly determine the success or failure of the national health care programme. Basically, the disagreement over a separate or a unified administration system was not particularly important for the EPB. Their primary concern was assessing which kind of system would minimise the financial responsibility of the government.

In contrast, the Presidential Secretariat Office showed less interest in being involved in the policy process, compared to its involvement with the first movement for reform. However, the Presidential Secretariat Office always stepped in at the final stages of the process to consider how the policy might be viewed more favourably for them. The incident on April 28 1987 provides a good example of intervention by the Presidential Secretariat Office.[39]

Secondly, in the National Assembly, the ruling DJP was actively involved in the entire process from 1986 to 1989, from when President Chun officially announced plans to extend the NHI scheme to farming and fishing areas, and to the self-employed in urban areas. The DJP took the lead in discussions with different

government departments from the beginning. The DJP showed particularly strong leadership in communicating with the MoHSA and the EPB on NHI reform in comparison to how they had acted during the first movement for reform. As the DJP preferred a unified administration system to develop the NHI scheme, they constantly rejected the MoHSA's idea of pursuing the new scheme under a separate system. As a result, it took more than a year for the DJP and the MoHSA to reach a consensus on this issue. At the same time, the DJP had also rejected the EPB's plan to create an additional tax to increase the financial stability of the government, as the introduction of such a tax would damage the popularity of the party.

The CoHSA at the National Assembly and the opposition parties continued to play active roles in the policy on the reform of the NHI scheme. Perhaps it can be said that members of the CoHSA – members from the ruling and the opposition parties – in general played the most influential roles in achieving reform of the medical insurance scheme during the 1980s. In particular, the CoHSA and opposition parties were successful in getting the reform bill passed during the 13th term of the National Assembly because the opposition parties had obtained more parliamentary seats at the National Assembly.

Thirdly, with regard to the activities of interest groups, the KMA lobbied the political institutions aggressively on behalf of the medical professionals, in contrast to their behaviour at the beginning of the 1980s. When Moon Tae Jun was the President of the KMA at the beginning of the 1980s, he was careful about speaking out because he was prohibited from being involved in any political activities by Chun's military regime.[40] Thus, at the beginning of the 1980s, the KMA had put forward very few demands with regard to the NHI scheme.[41] However, when the government began to develop the medical insurance programme in the mid-1980s, the KMA started to lobby politicians, especially politicians with medical backgrounds, and they were successful in achieving many of their aims.

When the NHI scheme for farming and fishing areas was implemented in 1988, farmers had mobilised and put pressure on the government to deliver their

---

[39] See p.136.

[40] After Chun succeeded in his military coup d'etat in 1979, the military regime prohibited any political activities of a number of politicians.

demands. Fortunately, the democracy movements of the 1980s contributed to their ability to command stronger support in their campaign against the government. In association with civic groups, the farmers' groups established the National Committee for Countermeasures for Medical Insurance (NCCMI) and put forward its own proposal for NHI reforms. Ultimately, the proposal influenced the reform bill drawn up by the opposition parties in the National Assembly.

In contrast to the strong movements commanded by the farmers, the trade unions did not actively participate in lobbying on the reform. This was because the trade unions decided to concentrate on reforming employment legislation during the democracy movements of the 1980s. Thus, the reform of the NHI programme was not of primary concern to the trade unions. In particular, as wage earners in the private sector had benefited from the NHI scheme, their interest in the reform was limited.

Academics published papers on different types of medical insurance programmes. Unlike in the first movement, academics who were in favour of or opposed the reform managed to influence policy makers and political institutions with their evidence. Thus, not only did the academics form views on reform, they also managed to have their arguments taken up by different interest groups and to influence the political institutions. In particular, academics in favour of reform provided sound arguments for the farmers' group which they used to influence the public and the government.

In comparison to the first reform movements at the beginning of the 1980s, the business groups – such as the Federation of Korean Industry (FKI), the Korean Employers' Federation (KEF), the Korean Chamber of Commerce & Industry (KCCI), the Korean Foreign Trade Association (KFTA), and the Korean Federation of Small and Medium Business (KFSMB) – had much smaller roles in influencing the reform. Because the National Federation of Medical Insurance (NFMI) and the MoHSA led a strong anti-reformist campaign, the private sector did not have to undertake serious lobbying.

---

[41] Interview with Yoo, Chief Editor of the Newspaper of the Korean Medical Association.

Conclusion

During the 1980s, there was an opportunity not only to expand the NHI coverage but also to develop a better quality programme. It was possible that President Chun had the political will to develop a national health care system, but the policy-making debate took place in virtually the same limited institutional setting as that of the Park regime at the beginning. The Presidential Secretariat Office maintained a clear policy of minimising government responsibility for two objectives: *rapid economic growth* and *placing the financial responsibility on the beneficiaries*. With these objectives in mind, the Presidential Secretariat Office strongly supported a separate administration system and was extremely influential on the president's decision. In short, the Presidential Secretariat Office exerted significant political influence over health care policy. Not only did it influence the president's decision, but it also ensured that health policy fitted with their wider political agenda.

After the failure of the first attempt at reform, the government appointed conservative politicians to the ministries at the MoHSA until an NHI scheme for the entire population was achieved under a separate administration system in 1989. Ministers Rhee and Moon strongly opposed the reforms. The government did not remove Rhee for three years from his position as minister, which enabled him to influence policy with his conservative views.[42] Minister Kwon (a member of the first cabinet of President Roh and the first minister with a medical background) made efforts to develop the health care system but played a limited role in government. Unlike Minister Moon, Minister Kwon did not have a strong political background, and his role was limited to dealing with other political institutions and parliamentary members. When Kwon was replaced by Moon after just nine months, the government gave more responsibility to Minister Moon in dealing with parliamentary members who were on the reformist side at the crucial time prior to the implementation of the new NHI scheme.

Second, the Committee of Health and Social Affairs (CoHSA) at the National Assembly performed a leading role in reforming the NHI scheme throughout the 1980s. The ruling party and opposition parties created a unique

[42] This was an unusual because the average term of office for the Minister of Health and Social

situation in Korean politics. Both the ruling party and opposition parties called for reform during the first movement and, furthermore, during the second movement. Finally, the reform legislation was passed with the unanimous support of all political parties.

Third, a wider range of interest groups was embedded in the policy process of the second reforming attempt than in the first one. The most remarkable interest groups influencing the policy process of this period were the farmers' organisation and the KMA. The farmers insisted on gaining their basic rights for health through medical insurance reform and established a national organisation for their collective actions over the government. On the other hand, the KMA tried to protect doctors' professional and economic autonomy from the government's plan to expand the medical insurance. The KMA aggressively contacted political leaders and politicians as well as bureaucrats to deliver its interests before the legislation of the new scheme.

Last but not least, the academic arguments presented in support of either a separate or a unified NHI scheme were firmly established during the lengthy debates of the decade. The research engaged with public interest and provided the basis for ongoing arguments on the future of national health care policy.

During this particular period, democratic movements spreading through Korean society encouraged participation among a relatively wide range of interest groups in the policy-making process than had occurred heretofore. Their roles were extremely influential. Some of the ideas of these interest groups were adopted by and contributed to the policy agenda setting of the political parties. Thus, it might be possible to explain this policy process through the pluralist perspective. However, internal bureaucratic politics continued to play a very important role in the policy process during this period. The role of a few actors in the bureaucracy was still very significant in the decision-making process. The influence of interest groups was still limited in comparison to systems with a longer history of democratic tradition.

Regarding the expansion of the insurance coverage during this period, the 'logic of industrialisation' provides a partial explanation because the rapid economic

---

Affairs was one and half years.

growth made it possible for the government to expand the coverage of the medical insurance programme more quickly.

Finally, the most significant feature during this period was the emergence of the farmers in the policy process of the NHI scheme. Farmers, who had been excluded from the centre of government concerns for many years, began to organise their collective actions and demanded the inclusion of their interests in the NHI policy. When the farmers' group engaged in the reform movement in association with civic and professional groups, the influence of the farmers was strengthened in the policy-making arena. Thus, room for the 'working class mobilisation approach' was created and this helps to explain the development of the NHI scheme.

CHAPTER 6. SLOW REFORM OF THE NHI (1990 - 1997)

This chapter considers the extent to which the advent of new leadership in the country influenced the development of health care policy in general and the medical insurance programme in particular. The chapter scrutinises how demand for health care policy reform moved from the periphery to become a central rallying issue, strengthening the focus and role of civil and trade union movements within a wider process of increasing participation and democratisation. It looks at the ways in which political institutions and pressure groups sought to influence the new leadership, how the leadership and bureaucracy responded, and how these relationships and policy responses facilitated or obstructed health care reform.

Following his vetoing of the National Medical Insurance Act in March 1989, President Roh determined in January 1990 to merge his ruling party (the Democratic Justice Party) with two opposition parties (the Reunification and Democratic Party, and the New Democratic Republican Party) as a means of countering deepening political deadlock. As a result, the traditionally dominant presidential role acted as a far weaker institution throughout the 1990s.

Kim Young Sam of the merged party was elected as president in 1992. His election seemed to provide an opportunity for NHI reformist groups to reinvigorate pressure, as the new president had long been sympathetic to NHI reform. However, the political priorities of the president did not coincide with reform action for medical insurance; it took until 1996, stimulated by the presidential election scheduled for the following year, for the ruling party to finally begin taking political action for reform of the NHI scheme. The reform package was ultimately a casualty of the ruling party's defeat, in a climate of deep economic instability, to Kim Dae Jung in 1997. Although this period did not therefore result in concrete policy reform, it was nonetheless highly significant in forging new and broader-based reform movements, clarifying the reformists' agenda against formidable anti-reform forces in the government and bureaucracy, and forcing policy responses from the government. This pressure and these policy responses, albeit a series of statements which were initially largely repetitive and conservative, ultimately forced acknowledgement of the need for more far-reaching reform which provided the foundations for the post-1997 policy process.

6.1 Democratising and the Merged Ruling Party

At the beginning of 1989, the National Medical Insurance Act and three labour laws were being examined in the National Assembly at the same time as the government was preoccupied with confronting critical labour issues, which were essentially expressions of wider pressure for democratisation and reform. Meanwhile, trade unions – which had so far combined collective action under one national labour umbrella, the Federation of Korean Trade Unions (FKTU)[1] – had begun to organise new channels for democratic labour organisation.[2] This resulted in the restructuring of trade unions, and from 1987 onwards, an aggressive spread of labour movements across the country.[3]

The government responded to the growing strength of organised labour by threatening labour and employers with special countermeasures. On October 17 1989, the Economic Planning Board (EPB) announced the principle of *No labour, no wage*, warning employers that the government would impose sanctions on companies disobeying this principle guideline. Subsequently, the Ministry of Labour (MoL) announced *Comprehensive Countermeasures for the Relationship between Employers and Labour* on October 30 1989; this involved the creation of special headquarters to deal with labour disputes and extended control over about 500 democratic trade unions. In addition, private sector employers organised a National Conference of Entrepreneurs, proclaiming on December 23 that it would adhere to the principle of *No labour, no wage*. At the same time, 570 trade unions which did not want to remain with the FKTU increased their independence and bargaining position by organising separate representation as the Korean Confederation of Trade Unions (henceforth referred to as the KCTU, since the KCTU has developed through various stages; see footnote for the developmental stages of the KCTU),[4] and through this channel, began to lead more vigorous labour

---

[1] The FKTU had been established by the Park military government and was therefore considered by many trade unionists to be politically compromised.

[2] Several groups of teachers inaugurated their democratic teachers union, the Korean Teachers and Educational Workers Union (KTU) on May 28 1989; the National Federation of Farmers Unions (NFFU) was created out of dispersed farmers unions on April 24 1990.

[3] On June 30 1989, the number of trade unions in Korea was 7,159; 65.6% of them (4,698) had been established since July 1987 (Han Kyo Reh, January 21 1990). See Table 5-4 in Chapter 5 for the growing number of labour strikes.

[4] The KCTU was initially established with about 70 trade unions and 120,000 members, under the name of the Korea Trade Union Congress (KTUC). In June 1993, the Korean Council of Trade Union Representatives (KCTUR) was formed to bring leaders of all democratic trade unions together

and democratic movements in the country (Dong A Il Bo, January 22 1990).

Increasing tension between labour and government on the one hand, and labour and entrepreneurs on the other, was again creating political stalemate. As a result, the ruling Democratic Justice Party (DJP) sought to strengthen its position by merging with two opposition parties led by Kim Young Sam (the Reunification and Democratic Party – RDP) and Kim Jong Pil (the New Democratic Republican Party – NDRP). The newly merged party, the Democratic Liberal Party (DLP), was able to dominate the National Assembly by a large margin (Dong A Il Bo, January 22 1990).

Kim Dae Jung remained alongside as a leader of a minority opposition group. In order to compete against a giant ruling party, Kim Dae Jung attempted to organise a larger opposition party. The New Democratic Party was itself a creation of a merger between the Party for Peace and Democracy (PPD) of Kim Dae Jung and the United New Democratic Party in April 1991. In September 1991, the Democratic Party (DP) was established by the merger of two opposition parties, the New Democratic Party of Kim Dae Jung and the Democratic Party of Lee Kee Taek.

The important shift from a dominant single party to government by coalition was an acknowledgement that growing labour, civil rights and democratisation movements could no longer be easily controlled. The DJP also had to provide political concessions to the opposition parties,[5] which, combined with the merger itself, cost President Roh and the DJP a considerable legitimacy in the Sixth Republic. An important aspect of this loss of legitimacy was the president's vetoing of the National Medical Insurance Act and two labour laws.

6.2 The Pressures on the New Ruling Power

What impact did this new political configuration have on the policy-making domain? Following the merger, the president was no longer able to exert absolute leadership in policy-making. The competing interests and priorities of the merged

---

into a single national body. On November 11 1995, the Korean Confederation of Trade Unions (KCTU) was finally established with 862 trade unions and a total membership of 418,000; by June 1997, the KCTU had increased its membership to over 526,300 in 1,144 trade unions. However, by 1997 the government still did not recognise the new union on the grounds that there were two bodies claiming to represent labour.

[5] Politics and political parties in Korea have traditionally been dominated by powerful individual leadership.

party's three leaders also gradually made the policy process more open to different interest groups and public participation than at any other stage in Korean politics. In addition, as Kim Young Sam and other parliamentary members from the RDP who were driving the bill were long-term supporters of NHI reform and were now in a position to favourably influence the party agenda, the groups interested in changing the NHI scheme therefore had strong hopes of resuming the reform movement with the birth of the new merged party.

A major opportunity was soon created with another attempt to push the National Medical Insurance bill (which had been introduced as a reform bill in 1989) through the National Assembly following the presidential veto. Reformist academics had been the first to maximise a more favourable political climate, pushing in February 1990 through the Social Security Study Group for reconsideration of the reform bill by the National Assembly. In their proposition, academics insisted that the presidential veto over the National Medical Insurance Act was unreasonable because the president interpreted the public property of the NHI scheme as if it were a private concern. To warrant the presidential veto in March 1989, the government insisted that the reform bill would contravene property rights set out in the constitution because the funds of the insured in the private sector would be transferred to the insured in the non-private sector after the unified administration system. The proposition further argued that by this action President Roh had broken a public pledge for NHI reform made during the presidential election campaign (Social Security Study Group, 1990).

A pressure group of 132 doctors – Medical Doctors for Democracy and Social Welfare – called for the public to withhold support from the new merged party. They argued that the new government would simply continue a conservative policy agenda of its predecessors which would again be dominated by economic growth policy and neglectful of welfare development. The doctors demanded that the new party immediately establish a platform to develop welfare policy and achieve a unified NHI scheme for improving the quality of national health care (Dong A Il Bo, February 23 1990; Han Kyo Reh, February 23 1990). The following day, pressure from the medical profession against the new party and in favour of health care reform greatly increased: 1054 medical professionals – including medical doctors, dentists, oriental medicine doctors, pharmacists and nurses – added

their voices to the Medical Doctors for Democracy and Social Welfare (Han Kyo Reh, February 24 1990).

On February 16, Kim Chung Jo, a member of the PPD and the CoHSA in the National Assembly, expressed strong views of the presidential veto in a paper, *Countermeasures and Outlooks Regarding the National Medical Insurance Act,* (Kim, 1990):

> It can be considered reasonable that the president uses the power of veto over legislative bills only if those bills are crucially associated with national security or the national economy. However, using the presidential veto over a bill regarding national welfare is an abuse of the president's authority.

The MoHSA reacted to these growing demands by reinforcing its opposition to reform via the conservative *Review of the National Medical Insurance Act*. This report argued that: ① compared to other countries, the current NHI scheme policy had already imposed an excessively high rate of NHI contributions on higher income groups through its progressive [contribution] imposing system; ② the national medical insurance scheme should focus horizontally rather than on vertical income redistribution; ③ if fragmented financial systems were unified by reform, either employees' contributions would considerably increase or the government would be forced to take on drastically greater financial responsibility. Hence, the MoHSA emphasised again that radical NHI reform was neither desirable nor necessary (MoHSA, 1990). Key points of the MoHSA paper were virtually identical to those raised by anti-reformist groups.[6]

The National Federation of Farmers Unions (NFFU) was a recently created amalgamation of several disparate unions. In April 1991, it held an open forum to discuss NHI reform and resolved that the National Medical Insurance Act should be passed. However, it met consistent opposition from representatives of the MoHSA, whose presence at the forum was an indicator of growing concern from the government and National Assembly about the leverage of reform groups such as the NFFU (NFFU, 1991).

---

[6] See Chapter 5.

6.3 The 7th Economic and Social Development Five-Year Plan and NHI

Despite continuous efforts from the reformist sides and the PPD, the bill of the National Medical Insurance Act was dropped without examination with the closing of the 13th National Assembly in May 1992. Although this was a setback, the government also acknowledged in the same year that health care reform was needed. This acknowledgement was contained within the overarching plan for economic and social development, the *7th Economic and Social Development Five-Year Plan (1992-1996)*, in which the chapter on Health, Medical and Social Security Plans emphasised the need for a new strategy to improve and balance the health status of Korean citizens (MoHSA, 1992):

> To formulate a new approach for health care policy, structural and functional adjustments are necessary to improve: ① satisfaction with medical treatment; ② general health conditions; ③ efficient use of medical resources. The traditional role of public health institutions and hospitals as medical service providers needs to be developed towards more comprehensive services focusing on both medical treatment and prevention (pp.11-13).

The plan stressed *quality of life* as the underlying theme for a new health care improvement strategy and vision. To accomplish this plan, the MoHSA set up broad goals for the purpose of developing a national health care system encompassing the following (MoHSA, 1992: 17-18):

- To achieve financial stability of the NHI scheme for the self-employed and farmers.
- To maintain equity of contributions and benefits in the NHI scheme.
- To ensure NHI allowance is always sufficient to cover NHI costs.
- To expand the NHI allowance for preventive medical treatment.
- To increase the efficiency of NHI management.
- To improve the allowance level of the Medical Aid scheme.

An interesting point addressed by the ministry was that it exposed financial concerns on the NHI through the report. Since the expansion of the medical insurance coverage to the self-employed from 1987, the financial subsidies of the government

had begun to increase dramatically. Thus, the financial stability and capability of the scheme became a significant issue in the government (see Table 6-1). However, the report of the ministry did not offer a detailed financial plan for those political goals.

Table 6-1 Government Subsidies to the NHI Scheme for the Self-Employed by Year (Unit: %)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Gov. Subsidy	19.6	20.8	44.1	41.5	36.6	38.6	34.6	33.2	32.3	30.2	29.2	26.7	25.6

Source: Calculated by author based on National Health Insurance Corporation (1999) *1998 National Health Insurance Statistical Yearbook,* pp.134-135

In March 1993, the Medical Insurance Bureau in the MoHSA delivered its policy agenda and statement of prospective policy directions to the new president, Kim Young Sam. The MoHSA set up three main political agendas almost identical to the proposed plans of the *7th Economic and Social Development Plan* (MoHSA, March 1993):

- Maintaining financial stability of the NHI scheme for the self-employed and farmers.
- Gradually expanding the scale of insurance coverage and increasing the number of days covered by the scheme.[7]
- Integrating traditional Korean medicine into the Medical Aid scheme to improve the overall quality and capacity of health care provision.

Throughout the report, the MoHSA judged the performance of the NHI scheme for private sectors and government employees to be financially stable, although it concluded that the financial condition of the scheme for the self-employed and farmers had recently deteriorated. However, the MoHSA announced that financial stability should be achieved continuously by adjusting NHI contribution rates and strengthening management efficiency rather than through any more profound reform. In addition, the ministry determined to implement the 'joint cost-sharing project' for sharing fees of high-cost medical treatment across all fragmented NHI funding societies in order to balance financial burdens. The MoHSA also emphasised repeatedly that demands for the unified NHI scheme and

independence of the examining body of medical fees (currently administered by the National Federation of Medical Insurance, NFMI) would not be acceptable (MoHSA, March 1993).[8]

Through the series of announcements made by the MoHSA, we can point out three significant aspects regarding the health care policy. First, the MoHSA reflected firmly in the presentation a clear policy direction of the medical insurance system in order to undermine continuous pressures from the reformist group, the opposition party and the KMA. Secondly, the ministry was aware of financial concerns surrounding the medical insurance. Thirdly, the government still demonstrated a policy direction of trying to resolve the financing of NHI through conservative measures (rather than a radical reform) such as: ① contributions of the insured rather than government subsidies; and ② joint cost-sharing project.

In the National Assembly on October 19 1993, at the parliamentary inspection session of the National Assembly's 165th Plenary Session, Rhee Hai Chan and Kim Byung Oh (both members of the CoHSA in the National Assembly and the Democratic Party of Kim Dae Jung) disclosed internal problems associated with executives of funding societies. Rhee asserted that funding society executives recruited employees through non-transparent practices rather than promoting fair and open competition in personnel affairs (Rhee, 1993). Kim meanwhile accused local NHI funding societies of mishandling huge amounts of public funds raised through accumulated NHI contributions (Kim, 1993).

In November 1993, the Policy Committee of the Democratic Party once again proposed the *Bill for the National Medical Insurance Act* to the National Assembly. Submission of the bill was justified on the following grounds (Policy Committee of the Democratic Party, 1993):

> Although the National Medical Insurance Act was successfully passed with cross-party consensus in the 145th Special Session of the National Assembly on March 9 1989, the government returned the bill to the National Assembly for re-voting under the provision of Article 53.2 of the Constitution. However, the bill was abolished with the closing of the 13th National Assembly, and the party

---

[7] Until 1993, the NHI scheme had covered the insured only for 180 days a year.

[8] The Korean Medical Association (KMA) and the Korean Hospitals Association (KHA) submitted the *Petition for Independence of the Medical Fee Examining Body* to the National Assembly in October 1992.

> therefore proposes this bill based largely on the previous reform bill. The purpose of the reform bill is to unify the separate administration systems of the NHI scheme in order to more substantially embody ideal principles of national medical insurance such as social solidarity, income redistribution and spread of risk. Moreover, through the unified NHI scheme, high quality-medical services will in the first place be guaranteed on an equal basis to the entire population. Secondly, social integration will be achieved regardless of locality, class or occupational category. Finally, financial stability of the scheme and expansion of the benefits will be achieved through reform.

However, the party had somewhat stepped back from demands expressed in the previous bill of 1989. The DP deleted the contract system for medical service providers which had been agreed in the 1989 reform bill and instead inserted a compulsory appointing system into the new proposal. It appeared that the DP was attempting to provide concessions to the ruling party and the government to draw this reform issue back to the negotiation table.

6.4 Two Special Committees

In January 1994, the MoHSA announced that a Special Committee for Health Security Reform (SCHSR) would be established in the ministry with the purpose of restructuring the health care system towards addressing the demands of the twenty-first century. The SCHSR was scheduled to complete its activity within a short period of only six months (by the end of June). The committee's first meeting was held on 15 January (Dong A Il Bo, January 11 1994; Kyung Hyang Shin Moon, January 11 1994). Up to this point, the government had only focused on quantitative expansion of the NHI scheme, and the quality of medical services had not yet been seriously considered. As a result, complaints regarding quality had been increasingly raised by both medical consumers and medical service providers. The SCHSR set up three broad goals to help fulfil its purpose: ① to improve the quality of medical services; ② to enhance social solidarity by achieving equitable service provision and rebalancing financial responsibility between classes and between funding societies; ③ to increase efficiency and improve the management system of the scheme (SCHSR, 1994).

In February 1994, the Special Committee for Developing Farming and

Fishery Areas (SCDFF) was set up as a presidential advisory body. The establishment of the SCDFF was one of the public pledges of President Kim during his presidential campaign. The SCDFF focused its work on: ① increasing competitive power of farming and fishery areas; ② improving the living environment of rural areas; and ③ strengthening welfare programmes for rural areas (Dong A Il Bo, February 1 1994; Kyung Hyang Shin Moon, January 9 1994).

Why did the government establish two special committees consecutively at this moment? It was a countermeasure of the government for coping with outside impact on the governmental leadership. The Kim Young Sam government faced two concerns along its political journey in January 1993. First, the labour issue became a significant challenge for the government. The increasing number of labour strikes and the establishment of the KCTU became a big threat to the Kim Young Sam government as well as to the entrepreneurs. The trade unions' demands on the reform of labour laws and the improvement of welfare were a two-fold nuisance. To alleviate pressures from labour, the FKTU and the KEF made an agreement to increase wages for labourers (ranging between 4.7% and 8.9%) with the purpose of stabilising the relationship between the entrepreneurs and labour in April 1993. In January 1994, President Kim even declared "1994 the year without labour disputes" (Choi, 1997: 472-473).

Secondly, through the election campaigns of the 14th general election (March 1992) and the presidential election (December 1992), the politicians experienced the hostile sentiment of farmers and fishermen against the agricultural policy of the government. In particular, the agreement of the Roh Tae Woo government with the *Uruguay Round of the General Agreement on Tariffs and Trade* (GATT) to open domestic agricultural markets to foreign competitors provoked more anger among farmers and fishermen. To show his political intention and to draw support from the farmers and fishermen, Kim Young Sam promised publicly that he would establish a special committee for caring for the social and economic concerns in the rural areas, if he was elected the president. Hence, the setting up of these two special committees was likely to alleviate rising discontent amongst social actors towards the government and political institutions.

The SCHSR quickly delivered national health policy recommendations, particularly stressing the need for more independent actors and expansion of

services. On March 2 1994, the committee announced that it was considering handing over the role of determining NHI fee schedules from the MoHSA and the EPB to a private independent body. On April 14, it proposed that the chairing of the Medical Insurance Deliberating Committee should be transferred from the Vice-Minister of Health and Social Affairs to a civilian from non-partisan and non-governmental leadership (Han Kyo Reh, March 3 1994). The SCHSR also proposed that the government should consider creation of a private medical insurance system to provide services excluded under the current medical insurance programme (Kyung Hyang Shin Moon, April 15 1994). On April 18, the SCHSR proposed abolishing the recuperation period which was restricted to only 180 days (Dong A Il Bo, April 19 1994). Two days later, the committee announced that the current NHI administration system based on separate funding would remain but some problems produced by the separate system would be addressed (Han Kyo Reh, April 21 1994).

In the meantime, the SCDFF submitted its mid-term report to President Kim on April 19 1994. The special committee recommended integrating the fragmented urban and rural medical insurance systems, which was different from the outcome of the SCHSR announced just one day earlier. Against the report of the SCDFF, the MoHSA strongly resisted (Kyung Hyang Shin Moon, April 20 1994; Han Kyo Reh, April 20 1994). Based on the announcement of the SCDFF, the ministerial meeting was held to make a decision for a final proposal on May 18.[9] However, the cabinet members participating in the meeting held different opinions about the unification of the fragmented medical insurance system (Kyung Hyang Shin Moon, May 18 1994; Han Kyo Reh, May 18 1994). On June 14, the government finally unveiled the details of developing plans for farming and fishery areas based on the suggestions of the SCDFF. But the unification of the NHI scheme was not included in the government's plan. Instead, the government again inserted minor changes for health care policy: ① the government subsidy would be increased from the current level of 40% to 50-60% for the NHI scheme for farming and fishery areas; ② the insured living in farming and fishery areas would receive periodically a medical examination as part of a benefit scheme of medical insurance (the same as the insured in private sectors received); and ③ funding societies located in adjacent city-size areas would

[9] This meeting was led by the deputy prime minister (Minister of EPB). Ministers of Agriculture, Forestry and Fisheries, of Home Affairs, of Finance, of Commerce and Industry, of Construction, and

be unified, and funding societies would carry out 'joint cost-sharing' for high-cost medical services and for the aged (Dong A Il Bo, June 15 1994).

We need to pay attention to a few points regarding the activities of the two special committees: first, since the SCDFF was established as a presidential advisory organ, the committee members could produce more progressive ideas, without the pre-filtering of the MoHSA, such as the unification of the separate NHI system, than the SCHSR, which was set up under the MoHSA. Second, during the examination of the cabinet, however, the radical proposal of the SCDFF failed to receive full support from the cabinet because of the strong opposition from the MoHSA. Third, the committees were seeking financial stabilisation of the NHI scheme, which was a primary concern of the ministry at the moment, through the introduction of two crucial ideas: the adoption of 'private medical insurance' and the (joint) 'cost-sharing project' amongst funding societies. Fourth, the government again promised farmers and fishermen an increase in government subsidy up to 50-60%, the same as the government did at the second reform movement in the late 1980s (see p.147 in Chapter 5). It had become a customary routine repertoire for the government to ease rising complaints from the farmers and fishermen since the second reform movement. However, the government had never kept its promise[10] (see Table 6-1).

Meanwhile, the MoHSA approved the SCHSR's proposal(s) through the *Review of the Management System of the NHI Scheme* in April. The report of the MoHSA stated (MoHSA, April 1994):

> To change the administration system of the NHI scheme is not as simple as just reshaping an organisation. The crucial matter is how continuity of a social security system is to be stabilised, and this needs to be carefully considered (p.3)...Therefore, as the SCHSR suggested, it is necessary that the merits of both the separate and unified administration systems be adopted ... rather than radical reform of the scheme which would cause great confusion (p.11).

The ministry also stressed that:

> One of the reasons for reform is to reduce the contributions of farmers and fishermen, but it does not seem that this prospect can be

---

of Health and Social Affairs participated in the meeting.

[10] In the category of the self-employed in the NHI scheme, the farmers and fishermen are included.

> guaranteed. Because income and property data of farmers and fishermen are more transparent than those of the self-employed in urban areas, farmers and fishermen would possibly be disadvantaged by reform...Hence, if the NHI reform is implemented under the justification of assisting the insured living in rural areas (who occupy only 13% of the entire population of the country), the contribution rates of urban self-employed (consisting of 37% of the population) would be reduced. On the other hand, the contributions of waged employees (consisting of 50% of the population) would be increased. Waged employees would therefore reject reform, and consequently this situation would impact seriously on the government and president...(p.9).

At the end of the report, the MoHSA again warned the government and president that the government would have to take full responsibility for any implementation of reform which would inevitably carry political risks. As the government could not increase contributions flexibly under the unified scheme, financial deficits would instead be borne by the national treasury (MoHSA, April 1994). Like the second reform debate in the second half of the 1980s, these arguments of the MoHSA became the centre of the anti-reformist side in the debate of health care reform in the 1990s.

6.5 The Conference of People's Solidarity and Trade Unions

Despite these new advisory bodies and a more open and discursive political atmosphere, the Kim Young Sam government continued to avoid taking any concrete progressive action to reform the medical insurance programme. Reformist groups such as social policy research institutions, civic groups and labour unions responded by trying to re-organise their strategies and structures towards intensifying the pressure on political institutions.

From April 11 1994, civic groups began to concentrate their reform efforts within the *Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI Scheme* (CoPS).[11] The CoPS was a successor to another civil movement for NHI reform, the National Committee for Countermeasures for Medical Insurance (NCCMI), which had not been active since the presidential veto

[11] As the CoPS, the movement became one of the influential non-governmental organisations in the country, a role which has continued since its reforming in 1999 as the Solidarity for People's Health as a Right (SPHR). The SPHR remains one of the powerful civic groups and focuses primarily on

in 1989 and the subsequent weakening of its organisational influence in mobilising collective actions. It took until 1994 for the group to rebuild sufficient leadership and political consensus to become a significant force.[12] Reflecting on the failure of the NHI reform in 1989, this civic organisation attempted to broaden its institutional scope for another try at reform. With the establishment of two special committees in the government, the positive atmosphere for health care reform went closer to the reformist side. To take this opportunity, the organisation determined to widen its membership and embody more concrete ideas for reform.

In the 1980s, this movement had represented a limited platform of farmers and progressive civic organisations working in health and medical sectors, and it therefore determined to broaden its support base to include others such as labour organisations. It also had to develop a strategy for persuading the constituency of those already possessing insurance to support a reform agenda. The earlier movement had advocated a new model of social insurance involving risk pooling and income redistribution; although many with insurance knew that the current NHI scheme had unfair elements and had been badly implemented, they had yet to be convinced that reform was in their interests.[13] Generally then, the reform movement had grown in the 1980s in close connection with a process of democratisation; it now faced a more democratised society and the need to develop an agenda and strategies which were more convincing and attracted far wider participation.[14] In other words, more practical agendas were necessary to persuade ordinary citizens on issues such as insurance benefits and so forth. We can probably deduce these intentions of the CoPS from the new name of the organisation. The CoPS therefore spent almost a year redesigning its policy agenda and the logic of its demand for NHI reform, assisted by crucial medical insurance data being made available through a local funding societies trade union.[15]

The CoPS had 22 members organisations by the time its new policy agenda and strategy was developed. It then set about promoting its agenda amongst various

---

monitoring health care policy and advocating on health care issues.

[12] Interview with Cho Kyoung Ae on October 6 1999, Deputy-Director of the Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI Scheme (CoPS) (1994-1998) and currently Director of the Solidarity for People's Health as a Right (SPHR).

[13] Ibid.

[14] Ibid.

[15] Ibid.

policy-making institutions, trade unions and civic groups. On May 2 1994, the CoPS participated in a public hearing organised by the Committee of Health and Social Affairs (CoHSA) in the National Assembly to discuss NHI reform; in July, it met with the Chair of the Policy Committee of the Democratic Party (DP) and the ruling Democratic Liberal Party (DLP), after which it led a policy workshop for trade unions and civic groups to strengthen participation and consensus among groups of the insured. As a result of these and other efforts, the CoPS membership trebled to 65 organisations by May 1994. The following year, membership had further grown to 77 civic organisations and trade unions with 6 local branches in the country (CoPS, 1999: 11-13).[16]

The policy workshops for members of the Korean Confederation of Trade Unions (KCTU) were particularly helpful in stimulating new thinking amongst trade unions (CoPS, 1999: 13). During the 1980s democratisation period, trade union agendas had heavily stressed improvement of labour laws. Prioritisation of and levels of understanding about reform of health care policy were far weaker, although medical insurance particularly was an issue of very direct concern to trade union members. Trade unions also needed to broaden their appeal to substitute for democratic demands which had in large part been fulfilled. Reform of medical insurance therefore became a highly attractive rallying issue, and one which allowed the KCTU to take a clear position in opposition to the FCTU, against which it was trying to assert its identity.

Prior to the announcement of the SCHSR's proposal in June, the KCTU had officially announced its position on NHI reform on May 25 1994 (KCTU, 1994):

> The KCTU urges the government to integrate the fragmented NHI scheme and expand its scale of benefits. A number of executives in the MoHSA and in NHI funding societies have presented their position on the basis that the income of waged labourers are revealed completely in comparison to those of farmers, fishermen and the self-employed being revealed partially; waged labourers, they argue, could therefore be seriously disadvantaged by reform. However, we do not agree with this assertion of the executives of the government. This is a justification to maintain their vested interests in the current NHI scheme...Even though the contributions labourers pay are contributing to farmers and fishermen, as the government and the executives of the funding societies have insisted, we labourers can accept this situation on the basis of interdependence with farmers and fishermen...

[16] See Appendix IV for a list of the CoPS membership.

> Therefore, we wish that the contributions we have paid contribute to developing national health care services for the entire population of the country.

In October 1994, the KCTU's Preparatory Committee went further and chose NHI reform as one of the four objectives which formed the basis of its demands to the government.[17] At the same time, the CoPS began to lobby the National Assembly on health care reform. On October 26, it held a public hearing to discuss the bill for the National Health Insurance Act, which it followed with submission of a proposition demanding medical insurance reform to the National Assembly on November 17.

6.6 The Kim Young Sam Government and 'Globalisation (Segyehwa)'

The MoHSA had meanwhile been facing internal pressures in addition to mounting pressure from outside. Firstly, in November 1993, the Democratic Party (DP) had submitted their new reform bill which modified some points of the original bill. The possibility of reforming medical insurance became more credible with the establishment of the SCHSR in January 1994. Some months later, on 25 April, the CoHSA held a parliamentary hearing to discuss medical insurance reform. The Special Committee for Developing the Farming and Fishery Areas (SCDFF), which had been formed by President Kim in February 1994, was expected to propose NHI reform as a cornerstone of alleviating health and welfare problems amongst farmers and fishermen. Most importantly for the MoHSA, however, the CoPS was becoming a relentless and increasingly powerful voice for reform.

The SCHSR went on to present the report which it saw as completing its mandate, the *Assignments for Health Care Reform and Policy Directions*, in June 1994. The report suggested a compromise plan which would maintain the current NHI administration system but adopt some aspects of the unified system. The report recommended: ① adopting the 'joint cost-sharing project' which would result in all participating NHI funding societies sharing financial burdens; ② reducing the number and therefore increasing the efficiency of the funding societies; and ③

[17] The four objectives are: ① NHI reform; ② reform of the National Pension scheme; ③ reform of the

setting up a comprehensive computer network. At the end of the report, the SCHSR pointed out that the government needed to provide at least minimum financial support in order to carry out this project (SCHSR, 1994: 22), but it gave no clear indication of the scale of health care reform it was recommending. Repeatedly, it insisted that "as medical costs will be increased after reform, the government will ultimately have to bear increased financial costs and increased responsibility for national health care policy" (SCHSR, 1994: 22). This report was obviously a compromised version of reform, but considering the anti-reformist interest groups the SCHSR was facing within government, it ultimately was making a reasonably strong statement to consolidate the perspectives of the MoHSA.

In November 1994, health care reform also became an aspect of Korea's growing understanding of and adjustment to globalisation. President Kim ordered the establishment of a Project of Globalisation (*Segyehwa*) Plan which was first discussed in the cabinet on November 22 (Dong A Il Bo, November 20 & 23 1994). The president had been stressing 'globalisation (*Segyehwa)*' as a key policy term since his New Year's Day speech in January 1994, and the government subsequently announced that a Committee for Promoting Globalisation (CoPG) would operate from the beginning of 1995 with the prime minister and a member of a non-government sector to be appointed as co-chairs (Kyung Hyang Shin Moon, December 28 1994). The CoPG held its first meeting on January 21 1995 in which twelve sub-projects were set up: reform of the education system; development of employer-employee relationships; improvement of industrial policy; improvement of the training system for industrial manpower; strengthening technology and access to Information Technology (IT) across society; more equal and balanced development between localities; dealing with environmental issues for the twenty-first century; developing an understanding of globalisation in the political outlook of citizens; strengthening the role of the mass media; expansion of social participation of women; strengthening education in a second language; and improving the national status of Korea (Kyung Hyang Shin Moon, January 22 1995).

Although the indication concerning health policy was not reflected in the twelve sub-projects, it soon became a focus of policy put forward in the welfare program endorsed by Kim Young Sam. In the CoPG conference on March 23 1995,

---

taxation system; and ④ de-centralisation of capital of Chaebul (Conglomerates).

President Kim Young Sam declared a significant new dimension of policy with the *Quality of Life* project under the umbrella of the Welfare Design for 'Quality of Life' in Globalisation. President Kim emphasised that "government policy needs to be concerned with improving quality of life in the country while breaking away from the preceding policy of economic growth." He argued that "the government should be responsible for the lower income class living under the national minimum income level in the areas of income, health care, education and housing. However, the principle of self-responsibility should underlie the welfare of people who are enabled to work." In addition, he stressed that "social insurance programmes and welfare policy should be based on the principle of the responsibility of beneficiaries." The president ordered the cabinet to draw up medium and long-term plans for implementation of the idea proposed by President Kim by June and to organise a National Welfare Planning Board in order to implement the plans (Joong Ang Il Bo, March 23 1995; Han Kyo Reh, March 24 1995). On May 18, the National Welfare Planning Board (NWPB) was established under the CoPG (Dong A Il Bo, May 19 1995). The Kim Young Sam government had created continuously new advisory committees since 1994. I will address the general point of the reason that the government enjoyed setting up the new committees in a later section.

Meanwhile, from September to November 27, farmers unions under the National Federation of Farmers Unions (NFFU) held a national rally to demand enactment of NHI reform. This rally played a forceful role in pressurising members of the National Assembly areas with significant farming and fishery populations prior to the general election of 1996.[18]

In November 1995, the NWPB presented a report, the *General Plan of National Welfare for 'Quality of Life' Globalisation,* to the president through the CoPG. This focused on (NWPB, 1996: 73):

- Growth of the economy and welfare becoming complementary rather than conflicting.
- Traditional values of Korea, such as Confucianism and mutual aid, being harmonised with Western values such as universalism.
- Establishment of a welfare community system linking families, local

[18] Interview with Cho, Director of the SPHR.

communities, the private sector and government to fulfil the government's commitment to achieving a minimum living standard for all citizens.

- Provision of protective and productive welfare by the government.

The report discussed specific goals related to social insurance programmes: ① maintaining equity of the social insurance allowance; ② maintaining an adequate level of financing of social insurance programmes; ③ maximising social insurance efficiency; and ④ creating the conditions for adopting private insurance in the welfare sector. The NWPB report also recommended sustaining separate administration of the NHI scheme while stressing that the merits of the unified administration system needed to be taken up (NWPB, 1996: 10-21). These suggestions were important in that they exactly endorsed those of the MoHSA and SCHSR. As we have seen, the Kim Young Sam administration simply offered a broad, generalised approach to welfare policy through his new welfare projects. Thus, there was neither a clear direction for the development of national health policy nor a constructive plan for the improvement of a national health care programme such as NHI reform. In his initial announcement of the plan, health care policy was practically ignored and was not seen as a primary concern.

On December 20 1995, the National Assembly passed the *Bill of Social Security Standards* at the plenary session of the 14th National Assembly. One of the purposes of the bill was to organise a Social Security Deliberating Committee (SSDC), chaired by the prime minister, to clarify the role and responsibility of central and local governments as well as to channel participation of the private sector in the social security field (Joong Ang Il Bo, December 20 1995).

The Social Security Standard Act was implemented in July 1996; this was followed in November with the establishment of the SSDC to provide policy directions on social security issues, particularly through development of a five-year social security plan. In February 1997, the Task Force for the Establishment of Social Security Development Directions (TFESSDD) was set up and stressed that (TFESSDD, 1997):

> The goal of the plan is to build a Koreanised Welfare Model under the theme of a 'harmonised welfare state.' Hence, the project aims to

> maximise 'quality of life' for people living in Korea through: ① seeking a balance between economic growth and fair redistribution of capital on the basis of values of freedom and equality; and ② harmonising Korean traditions with the merits of Western welfare states. In order to achieve this goal, it is necessary to: ① expand the scope of welfare services; ② develop protective and universal services; ③ construct a welfare delivery system associated with family, neighbours, local community and government on the basis of a traditional family-oriented system; ④ pursue a productive welfare model; and ⑤ increase the role of the private sector (pp.6-12).

The task force produced some ideas to improve medical insurance in specific reference to the NHI scheme. On the management system for medical insurance, the committee argued for increased autonomy and responsibility for each NHI funding society to enable greater efficiency through increased competition between separate societies. The committee also suggested integrating smaller funding societies in order to achieve 'economies of scale.' This idea of 'economies of scale' differs from that of most NHI reform advocates. The task force argued for integrating small funding societies to build bigger funding units under a separate administration system. On the other hand, the reformists sought 'economies of scale' by integrating fragmented funding societies into one national funding authority.

Regarding contributions of employees in private sectors and government/ private schools, the committee proposed a fixed rate system of levying by total income[19] which would replace the current system drawing on a monthly wage; it argued in addition for simplification of the method for calculating contributions of the self-employed in both rural and urban areas.[20] The 'joint cost-sharing project' was strongly recommended as a means of sharing financial resources and spreading risk amongst funding societies. Lastly, the committee suggested increasing the level of insurance benefits (pp.18-34, TFESSDD, 1997). However, there was again no comment about more profound reform of the NHI scheme in the paper. The arguments of the task force in effect coincided with those of the anti-reformists, which had insisted on opposing the reform during the 1980s and 1990s, as well as

---

[19] Contributions for employees in private sectors and government/private schools were levied by monthly wage until the 1999 reform package, after which bonuses and special allowances were included in 'total income' calculations.

[20] Contributions rates for the self-employed in rural and urban areas (which included farmers and fishermen) had been calculated according to five categories: income of household, the number of dependants within household, income, property, size and kinds of automobiles belonging to the

other special committees. We can suppose, then, that the anti-reformist group inside the government might have influenced the activities of the special committees and the task force.

The most crucial point discovered here is that the Kim Young Sam administration revealed the principles of its welfare policy through a series of consecutive announcements: the president's declaration of 'Quality of Life,' the report of the National Welfare Planning Board, and the announcement of the task force team. Based on the president's view, two policy-making organs drew more concrete pictures regarding national welfare of the country. The scope of national welfare in the Kim Young Sam administration can be summarised in seven major points: ① the principle of 'self-responsibility'; ② maximising 'quality of life'; ③ a balancing growth between national economy and welfare; ④ harmonising Korean traditions with the merits of the Western welfare state; ⑤ a strong bond among families, communities, private sectors and government; ⑥ provision of 'productive welfare'; and ⑦ increasing the role of the private sector. The government emphasised 'self-responsibility' and 'the roles of the private sector, family and community' to minimise the governmental responsibility on national welfare. In particular, the government continuously stressed that the 'quality of life' would be improved through 'globalisation of the country.' However, it was merely rhetoric of the government to reduce its direct intervention in and to minimise its primary responsibility on national welfare.

6.7 The Ruling Party and NHI Reform

A major breakthrough in this long cycle of policy reviews and statements came in June 1996 with the Special Committee for Countermeasures for Medical and Water Issues in Farming and Fishery Areas (SCCMW), organised in the ruling New Korean Party (NKP) (the ruling Democratic Liberal Party changed its title to the New Korean Party in December 1995).[21] Hwang Seong Gyun, a surgeon and NKP National Assembly member, was appointed as the chair of the committee. Hwang came from a rural background and had long been concerned with problems in rural

---

insured.

[21] Political parties in Korea have frequently changed their names for the purpose of preparing elections or refreshing party atmosphere.

areas. He proposed a reform plan for the NHI scheme through the special committee which would be accomplished through three gradual stages. This proposal became a great stimulus for re-enlivening the NHI reform movement and constituted the most important step for NHI reform in the near future.[22]

Hwang's proposal involved: as a first stage, unification of local funding societies with the Korean Medical Insurance Corporation for the Employees in the Government and Private Schools (KMIC), but initially retaining a separate financial system; secondly, unification of private sector funding societies with the KMIC and local funding societies, but still with separate financing; finally, unification of all financial systems. Hwang stated, however, that the plan should be pursued with flexibility according to circumstances and without the constraints of an exact time table. The 'joint cost-sharing project', he argued, would need to continue until all financial systems were completely unified, and the plan should be connected to implementation of the National Pension scheme in urban areas. If the merger of fragmented funding societies was completed successfully, it could be expected that many funding society employees would become redundant, but they could instead be transferred to expanded national pension funding organisations (Newspaper of the KMA, January 2 1997).

The government realised, partly in response to this proposal, that the SCHSR had not been able to achieve enough to satisfy advocates for reform. In November 1996, the Ministry of Health and Welfare (MoHW)[23] therefore set up a Special Committee for Health Reform (SCHR) as a temporary year-long consulting body under the prime minister. This committee was established on a higher position and for a longer term than the SCHSR so as to avoid repeating its failure to attract institutional and financial support from the government and to see through its recommendations (Chosun Il Bo, November 9 1996). The new committee's purpose was to increase the quality, accessibility and comprehensiveness of health care, and improve the efficiency of the health care delivery system. It was therefore expected to confront a range of issues associated with health care delivery, the medical professional training system, reform of the NHI scheme, development of the health care industry, and development of Korean traditional medicine (SCHR, 1997).

---

[22] Interview with Yoo, Chief Editor of the Newspaper of the KMA.
[23] The MoHSA changed its title to the Ministry of Health and Welfare (MoHW) in 1995.

Meanwhile, on October 29 1996, the CoPS hosted a hearing in the National Assembly to discuss the forthcoming reform bill with an impressive range of representatives from the ruling and opposition parties.[24] A few weeks later, the National Congress for New Politics Party (NCNP), which was the now renamed opposition party of Kim Dae Jung (the NCNP had been the new name of the opposition party since November 26 1994), and the United Liberal Democrats Party (ULD) of Kim Jong Pil, which was established by Kim Jong Pil in March 1995 after breaking away from the merged ruling Democratic Liberal Party, announced a policy agenda which effectively repeated and endorsed Hwang's proposal (Han Kyo Reh, November 22 1996):

> Two parties will submit a reform bill to the forthcoming plenary session of the National Assembly; this will call for unification of the separate medical insurance administration systems because the core aim of health reform is to achieve a unified NHI scheme and to improve the quality of health care services. The bill will therefore propose to unify the NHI scheme in three stages: unifying local funding societies by 1997, unifying funding societies of private sectors by 1998, and finally unifying all funding organisations.

The bill – which would integrate 92 local funding societies in farming and fishery areas – was entitled the *National Health Insurance Act* and was officially proposed to the National Assembly by Lee Sung Jae, Shin Nak Kyun and Kim Han Kil of the NCNP, and Lee Jae Sun of the ULD on 29 November (CoPS, 1999: 464).[25] However, the ruling NKP announced it did not plan to support the reform bill before a forthcoming plenary session. On December 9 1996, Chung Young Hoon, the NKP's Chair of the 3rd Policy Coordinating Committee, and Sohn Hak Kyu, Minister of Health and Welfare, met and agreed that immediate

---

[24] Key participants in the public hearing were: Shin Ki Ha (Chair of the CoHW), Cho Heung Jun (Chair of the Policy Committee of the CoPS), Cha Heung Bong (Professor of Hallym University), Park Joo Hyun (a lawyer from Lawyer's Group for Democratic Society) and a cross-party group of National Assembly members – Hwang Kyu Sun (NKP), Lee Sung Jae (NCNP), Lee Jae Sun (ULD), Kim Hong Shin (DP) (CoPS, 1999).

[25] The bill proposed that the National Federation of Medical Insurance, the Korean Medical Insurance Corporation for the Employees in Government and Private Schools, and local funding societies would be dismissed within one year, except for private sector funding societies, which would be closed after two years (in Additional Article 4). With regard to the appointing system for medical service providers, the bill proposed vaguely that the system would be replaced by either a 'contract system' or a 'compulsory appointing system' involving the insurer and medical service providers (CoPS, 1999: 464-465).

implementation of the reform would cause tremendous confusion; it should therefore be reviewed by the SCHR and its tabling before the National Assembly should be postponed until the following year (Dong A Il Bo, December 9 1996). Efforts to enact the proposed reform bill therefore failed in the 1996 plenary session, and it was postponed to some indefinite time in the 1997 parliamentary session.

On January 12 1997, however, the NKP changed policy direction and agreed to the reform bill in unifying the National Federation of Medical Insurance (NFMI), the Korean Medical Insurance Corporation for the Employees in Government and Private Schools (KMIC), funding societies in local areas, and private sectors. The ruling NKP stated that "since there are 373 separate insurers existing under the current Medical Insurance Act, the administrative costs of the scheme are wasted, and huge deficits are being created in local funding societies. Hence, in order to stop inefficiency, the administrative system of medical insurance needs to be unified as soon as possible" (Chosun Il Bo, January 13 1997).

Next day, the MoHW presented key projects for the ministry for the year 1997 which appeared to once again reverse the NKP statement of the previous day. The ministry announced that it would prioritise a Quality of Life project – a favoured theme of President Kim Young Sam – within which would be the following objectives (Newspaper of the KMA, January 13 1997):

- To increase financial support to local funding societies in farming and fishing areas.
- To expand the scale of the 'joint cost-sharing projects.'
- To steadily improve medical insurance benefits.
- To reform fee schedules.
- To gradually adopt a 'Diagnosis Related Group (DRG)' system[26] instead of the current system of 'fee for service.'
- To save management costs and increase managerial efficiency.
- To increase autonomy of funding societies.
- To strengthen the Medical Aid scheme.
- To improve the national health care system through reform of the current

[26] The intention of this system was to reduce the cost of medical fees charged to the state; the DRG system would allot a certain amount of the budget for certain diagnoses, and medical providers would be restricted to keeping within this block grant.

scheme.

Why did these differing positions and intentions on medical insurance reform arise between the ruling party and the MoHW? The ruling party had become very conscious of public opinion surrounding medical insurance matters (especially of farmers and fishermen in rural areas) prior to the presidential election scheduled for December and the subsequent general election. Although the Special Committee for Developing Farming and Fishery Areas (SCDFF) was set up as a presidential consulting body in February 1994, the special committee failed to deliver a health care reform at the end. Under the circumstance, the ruling party established its own, the Special Committee for Countermeasures of Medical and Water Issues in Farming and Fishery Areas, in alleviating complaints from and in concerning electorates living in those areas, and Hwang's proposal was ultimately produced in the party. Eventually, the party did not have any other choice but to support the reform proposal for the presidential and general elections.

Meanwhile, anti-reformist civil servants had been strongly resistant to the reform within the MoHW, which was the most powerful opposition to medical insurance reform during the Kim Young Sam government. As we have seen so far through the outcomes of various advisory institutions, the MoHW thoroughly blocked any reform. However, the MoHW was threatened when the opposition parties supported the reform proposal of the ruling party and therefore opposed strongly the Hwang's proposal.

6.8 The Presidential Election and Reform

6.8.1 The Government and Political Parties

The ruling NKP confirmed that it would positively review a reform plan proposed by the Special Committee for Countermeasures for Medical and Water Issues in Farming and Fishery Areas (SCCMW) of the party on June 30 1997. In August 1997, with the elections fast approaching, it finally declared officially that it would see through the NHI reform plan, a decision which was publicly supported by the opposition party, the NCNP (Chosun Il Bo, August 15 1997). The same month however, the MoHW presented a plan for improving medical insurance which appeared to be contradictory. This plan emphasised: ① saving management costs; ②

merging small local funding societies; and ③ enabling a more competitive basis in the management of private sector funding societies (Newspaper of the KMA, August 25 1997). Regardless of the ruling party's decisions, then, the MoHW continued to search for alternative methods to save management costs and improve the quality of services within the current medical insurance system rather than seeking more radical and progressive reform.

On October 29, the ruling NKP passed a reform bill within the party - the *Revised Bill of the Medical Insurance Act and Medical Insurance Act for Employees in Government and Private Schools* – and put it forward to the National Assembly the following day. The Committee of Health and Welfare (CoHW)[27] was to review this bill which, as discussed above, addressed one of the three stages towards completely unifying the fragmented NHI scheme. The bill provided for the merging of local funding societies under the KMIC and subsequently (in July 1998) the setting up of a separate examining body for medical fees under the MoHW, the financial system of local funding societies remaining separate throughout. The projected 4,000 employees of local funding societies who would lose their jobs as a consequence would be transferred to positions in the national pension organisations for urban areas scheduled for July 1 1998 (Dong A Il Bo, November 7 1997; Newspaper of the KMA, November 6 1997). Opposition parties decided to support the NKP bill, although it promised a very partial – and, arguably, compromised – step compared to radically unifying and restructuring the NHI scheme. Executives of funding societies in local areas and private sectors were predictably opposed to the reform bill and demanded its withdrawal (Dong A Il Bo, November 7 1997).

On November 14, the CoHW modified the bill, replacing the role of local societies and the KMIC with a new administrative structure, the National Health Insurance Corporation (NHIC). The bill's title was also changed to the *Bill of National Medical Insurance Act*. The new reform bill was passed in the plenary session of the National Assembly on November 18 1997 with the full agreement of ruling and opposition parties and was due to be implemented from October 1998 (Newspaper of the KMA, November 24 1997).

---

[27] The title of the Committee of Health and Social Affairs (CoHSA) was changed to the Committee of Health and Welfare (CoHW) in accordance with changing of the entitlement of the ministry.

6.8.2 The KMA

The Korean Medical Association (KMA) meanwhile continued a determined drive to press its demands on the political institutions,[28] while the KCTU and the FKTU both insisted on pursuing the unified NHI scheme at a public hearing organised by the SCHR on May 9 1997. The President of the KMA met a number of senior politicians to discuss fee scheduling and submitted its *Proposition for the Reform of the NHI Scheme* to the National Assembly in March 1997. The KMA insisted on inserting 'the contract system' and 'independence of the medical fees examining body,' which were amongst it long-standing core interests (Newspaper of the KMA, March 17 & 24 1997). Subsequently, the KMA sent its proposition to three major political parties – the NKP, the NCNP and the ULD – and it continuously stressed welfare and quality of life issues prior to the presidential election (Newspaper of the KMA, June 26 1997). The President of the KMA stated in a press conference on July 31 that (Newspaper of the KMA, August 4 1997):

> We have been stressing issues of a 'welfare state' and 'quality of life', but no presidential candidate is providing a concrete political agenda on these matters. The KMA will therefore be interested in a candidate who demonstrates true commitment towards health and welfare concerns.

The KMA continued to put more pressure on politicians. The senior executives of the KMA again met with presidential candidates to lobby for more substantial changes in the areas of medical insurance reform. On November 10, while the CoHW was examining the reform bill, the KMA handed in a written petition to the National Assembly demanding more far-reaching policy reform: ① abolition of the 'compulsory appointing system' for medical service providers; ② changing the current 'fee schedule' policy regulated by the government towards a 'mutual contract system' between the insurer and medical service providers; and ③ setting up an independent examining organisation on medical fees (Newspaper of the KMA, November 13 1997). On December 10, executives of the KMA met Kim

[28] In 1997, the KMA held meetings consecutively – mainly to discuss fee scheduling – with the Minister of Health and Welfare (January), the Minister of EPB (March), the prime minister (March), the Minister of Health and Welfare (April), the executives of the MoHW and the EPB (July) and Rhee Hoi Chang, leader of the NKP (August) (Newspaper of the KMA, August 25 1997).

Dae Jung, the presidential candidate of the NCNP, who promised to enact the 'contract system' of fee scheduling if elected. Rhee Hoi Chang, the presidential candidate of the ruling party also promised to review positively reform proposals if elected (Newspaper of the KMA, December 15 1997).

The KMA was strategic and persistent in delivering its demands to policy-making institutions prior to the presidential election. Although the KMA supported reform, it had not been able to express this support openly under the previous authoritarian-military regimes. Under the civilian government of Kim Young Sam, however, the KMA became more free to express its interests and adapted quickly to its new role, seizing every opportunity to press its demands.

It is important to note that the reasoning behind the KMA's support of the unified NHI scheme is rather different from that of other political institutions and interest groups. While the KMA agreed in general with improving the quality of health care through NHI reform, its more direct interest lay in the issues of fee schedules. These, from the KMA's perspective, had been set unrealistically for more than two decades: firstly, structural problems of local NHI funding societies had resulted in severe financial deficits, and the rate of fee schedules could not be improved as long as the separate NHI system remained. The financial stability of medical insurance was therefore crucial for increasing fee schedules. However, the KMA could not expect financially stable medical insurance or a reasonable increase in fee schedules under the current separate NHI system. Secondly, the fee scheduling system would always be heavily constrained as long as the government maintained power over regulating the level of fees; changes in these would directly impact on pricing of national commodities and would therefore not be permitted by the EPB. The KMA therefore consistently demanded creation of an independent body for fee schedules as well as for the contract system which regulated the relationship between the insurer and the medical service. Ultimately, the KMA's lobbying efforts with presidential candidates and political institutions succeeded in creating an agreement that the contract system would be considered more seriously in the policy process surrounding NHI reform.

6.9 The Essence of Special Advisory Organs under the Kim Young Sam Government

At the end of 1997, the SCHR officially unveiled its final report as a conclusion to the committee's one year of duty. The substance of this report was no different from earlier MoHW announcements on NHI reform. The main points of medical insurance reform discussed by the SCHR concerned (SCHR, 1997):

- The need to change the current setting of 'low scale of benefits' based on 'low rate of contributions' towards 'a proper rate of contributions and proper benefits' as a result of which the rate of 'out-of-pocket payment' of the insured to medical services could be reduced (but 'a proper rate of contributions' means here that the government would increase the contribution rates of the insured).
- Encouraging participation of private insurance companies to support supplementary health care.
- Setting up reasonable fee schedules for medical service providers, and ensuring regular examination by the Special Deliberating Committee for Fee Schedules of Medical Services with medical consumers, medical service providers, insurers and government.
- Contributing to financial stability and managerial efficiency through merging the current 227 local funding societies on the basis of city size scales (16 cities).
- Encouraging competition between funding societies in the private sector to increase managerial efficiency.
- Increasing levels of responsibility amongst executives of funding societies by strengthening autonomous managerial power and minimising government regulation.
- Reducing amounts of medical consumption and thereby saving medical costs, including through adoption of the Diagnosis Related Group (DRG) system within the NHI scheme.

Once again, the SCHR, which was the last health care consulting body under the Kim Young Sam government, concluded similar outcomes to those of the MoHSA/MoHW and other advisory organs in the government. There was no intention of a radical reform in the proposal. The SCHR repeated general countermeasures with conservative views. Only to garner the support of the medical professions, the report mentioned about fee schedules. After all, all advisory organs established by the Kim Young Sam government for the purpose of developing health

and general welfare policies provided interestingly very similar points of view regarding medical insurance reform (see Table 6-2). The main position of those advisory organs was to develop the NHI scheme in maintaining the current frame of the NHI scheme rather than in carrying out a radical reform in health care policy.

Table 6-2 Major Outcomes from Advisory Institutions during the Government of Kim Young Sam

	SCHSR (1994.6)	NWPB (1995.11)	TFESSDD (1997.6)	SCHR (1997.12)
Management	Based on the current separate administration system but adopting the merits of the unified NHI scheme	→	→	→
	Strengthening the Joint Cost-Sharing Project	→	→	→
	Optimising the size and minimising the number of funding societies to achieve scale of economies.		→	→
	Building computer networks to unify the NHI scheme.	→	→	
	Providing managerial autonomy to funding societies and decreasing government control	→	→	→
	Encouraging competition among funding societies		→	→
Finance	Improving the current fee schedule	→	→	→
	Adopting the DRG system to replace the 'fee for service' system	→		→
	Establishing a committee for adjustment of fee schedules for participating insurers, insured and medical service providers		→	→
Others	Encouraging the role of private medical insurance	→		→
	Gradually expanding the annual duration of receiving NHI benefits		→	→

Sources: Adapted from The Special Committee for Health Reform (1997) *The Assignments for Health Policy*; The Task Force for the Establishment of Social Security Development Directions (1997) *The 1st Directions for Social Security Development* (Rough Draft); The National Welfare Planning Board (1996) *'Quality of Life' Standard Design of National Welfare for Globalisation*; The Special Committee for Health Security Reform (1994) *The Assignments for the Health Security Reform and Policy Directions.*

- Symbol "→" means the same as the SCHSR item

SCHSR: Special Committee for Health Security Reform
NWPB: National Welfare Planning Board
TFESSDD: Task Force for the Establishment of Social Security Development Directions
SCHR: Special Committee for Health Reform

6.9.1 The Background and Purpose of the Government

With respect to the circumstance, we need to raise two questions: why did the Kim Young Sam government set up relatively many advisory institutions during five years of his presidency, and why did those advisory institutions produce similar outcomes?

It is important to examine the factors underlying and influencing the series of health care policy responses and recommendations within various advisory institutions from 1990 to 1997. Firstly, we need to understand the reasons for President Kim Young Sam's varying positions on health care policy. During the presidential campaign, Kim Young Sam had heard repeated complaints from farmers and fishermen concerning the government's decision to open domestic agricultural markets to foreign competition within the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The atmosphere of the 14th presidential election was tangibly different from that of the previous campaign. All candidates had civilian backgrounds and democracy was reasonably well established in the country, so no one could resort to the old issues of the debate such as democratisation and military authority. Instead, presidential candidates had to demonstrate political commitment to improving the welfare and living standards of voters; as a result, all candidates in the 14th presidential election campaign were forced to concentrate on the issues underlying hostile public sentiment and had promised to put a political priority on matters of concern to agricultural societies. During the presidential campaign, Kim Young Sam therefore promised the public to set up a Special Committee for Developing the Farming and Fishery Areas (SCDFF) as a channel within the government for dealing with agricultural and welfare issues for farmers and fishermen. During his presidency, livelihood security within this constituency considerably worsened; in 1996, President Kim decided to join the Organisation for Economic Co-operation and Development (OECD), thereby creating an opening for new international pressures to open further markets in agricultural sectors as well as industry. Changes in economic policy therefore had profound impacts on the agricultural economy and on the degrees of vulnerability and discontent amongst farmers and fishermen in particular. If economic turmoil in rural areas during the 1970s and 1980s can be attributed to the fast economic growth policy, turmoil from the end of the 1980s throughout the 1990s was caused more by the daunting speed

with which domestic markets were being opened to foreign competition.

Ever since the creation of the NHI scheme for farmers and fishermen, the government had had to appease this constituency by promising that the insured in rural areas would receive 'high benefits through low contributions' and by committing government support for the financing of local funding societies serving them. As the government failed to keep these promises, farmers and fishermen were driven to becoming more organised and allied with pressure groups. The president and government therefore needed to take action to contain rising and more forcefully articulated discontent.

President Kim not only had to appease pressure groups in the country; he also had to calm growing complaints in the ruling party. Since economic and medical insurance were the most important issues in rural areas, parliamentary members with bases in these constituencies especially were facing growing pressure from voters. Therefore party members also were demanding solutions to these concerns, as were opposition politicians who were affected by similar pressures. The creation of various special committees and advisory bodies – rather than the passing and implementation of radical policies – were the government's main response for easing tensions in farming and fishery areas. In addition, the president also tried repeatedly to rationalise the term 'globalisation' in accordance with the commitment to improve the standard of living in rural areas. Because of the subsequent opening of domestic markets, the public became aware of the negative impact on their well-being from the economic policy of the government. To alleviate this negative sentiment being spread in the country, the president and the government frequently used the terms 'globalisation' and 'quality of life' alongside welfare development in the country as a means of protecting the legitimacy of the governmental policy.

6.9.2 The Influence of the Ministry of Health and Social Affairs (Health and Welfare)

We also need to look at the inside of the MoHSA/MoHW. The ministry consistently opposed NHI reform and obstructed reform movements through its active role in the policy process. What made it possible for the ministry to keep reacting against the reform through various channels?

Three major civil servants in the ministry – Choi Soo Il, Youn Sung Tae and Kim Jong Dae – who had opposed the unified NHI scheme, occupied major executive positions in the government; an atmosphere of anti-NHI-reform therefore dominated the ministry throughout this period, and the inputs of these individuals, who occupied crucial positions in the government at the crucial moments of the policy process, had decisive impacts on policy outcomes. Choi Soo Il, the most senior officer among them, was appointed as the President of the National Federation of Medical Insurance (NFMI) (1990-1993) after being assigned as Vice-Minister of Health and Social Affairs. Youn Sung Tae was appointed as the Vice-Minister of Health and Social Affairs (1989-1992) and then moved to the position of Chief Officer in the Administrative Adjustment Office for the Prime Minister (1992-1993)[29]. In 1993, Youn was appointed as the President of the NFMI (1993-1998) in succession to Choi Soo Il. In addition, Kim Jong Dae occupied crucial positions in the ministry. He was designated as the Senior Economic Secretariat Officer in the Presidential Secretariat Office (1989-1992) and returned to the ministry as the Assistant Minister for Social Welfare Policies (1992-1993). Later, Kim was appointed as the Assistant Minister for Planning and Management in the ministry (1993-1995) and, during 1995-1996, positioned as a Senior Officer of the 3rd Administrative Adjustment Office for the Prime Minister.[30]

Under the influence of these officials, the MoHSA/MoHW appointed anti-reformist professionals as members of the special committees and task force while ensuring that reformist professionals were excluded. With this careful and deliberate weighting of committee membership, the policy outcomes of advisory institutions were inevitably – from a reformist perspective – conservative, indifferent and compromised.

Secondly, ministers within the MoHSA/MoHW also had an impact. Most ministers designated in the MoHSA/MoHW during the Kim Young Sam administration were political allies of the president and had little or no experience in social policy fields. The president frequently changed ministers, undermining possibilities for civil servants to work consistently towards fulfilling a concrete

[29] The role of this position is to co-ordinate political decisions between the Presidential Secretariat Office and the cabinet offices.

[30] The main function of this position is to adjust and reconcile policy decisions between the Presidential Secretariat Office and the MoHSA/ MoHW.

policy agenda. Most ministers spent only a few months in the ministerial position, with the exception of Suh Sang Mok, who was in office for one year and four months. Lack of knowledge and experience resulted in inadequate understanding about and commitment to NHI reform. Ministers therefore relied heavily on high ranking-civil servants rather than on their own political philosophy, and were unable to exert sufficient leadership or pursue policy development with the necessary confidence. For instance, the first special committee, the SCHSR, made several statements and recommendations during its six month tenure, but lack of support from government and state institutions ensured that none of these were implemented. More fundamentally, the outputs of this committee and the various bodies following and parallel to it were vague and repetitive, wholly lacking the concrete, detailed strategies and budgets necessary for their implementation. This kind of situation was not only limited to the activity of the SCHSR but also extended to other advisory institutions during this period.

Table 6-3 List of Ministers of the MoHSA/ MoHW in the Government of Kim Young Sam

Name	Career	Period
Park Yang Sil	Medical Doctor/President of Korean Female Doctors Association	2/1993-3/1993
Song Jung Sook	Journalist	3/1993-12/1993
Suh Sang Mok	Vice-President of KDI/MP of Ruling Party	12/1993-5/1995
Lee Sung Ho	MP of Ruling Party	5/1995—12/1995
Kim Yang Bae	Senior Presidential Secretariat of Kim Young Sam/Minister of Agriculture, Forestry & Fisheries	12/1995-8/1996
Lee Sung Ho	MP of Ruling Party	8/1996-11/1996
Sohn Hak Kyu	MP of Ruling Party	11/1996-8/1997
Choi Kwang	Professor of Economics/President of Korea Institute for Taxation	8/1997-3/1998

Source: Applied from The Ministry of Health and Welfare (1998) *The White Paper of Health and Welfare;* Yon Hap Tong Shin (1999) *Korean Biographical Dictionary*

6.10 The Ruling versus the Opposition Parties

During this period, the social policy-making capacity of the ruling party was never seriously developed; as a result, the policy directions of the ruling NKP were led mainly by the government, especially by the MoHSA/MoHW. The NKP did not

actively involve itself in creating a policy agenda or in leading the parliamentary policy-making process. Instead, the MoHSA/MoHW delivered policy agendas to executives at the final decision-making level of government; the ruling party was then likely to simply follow these directions rather than debating or challenging them. Health care policy therefore lacked dynamism and vision throughout this period.

However, it was Hwang Seong Gyun who finally broke the stagnation of the policy-making institutions, and his proposal for gradual reform gained sufficient support from members of the ruling party who wanted to carry some achievements to rural voters in the approaching elections. The MoHW and the NKP attempted on December 9 1996 to block momentum behind Hwang's reform proposal before it was delivered to the National Assembly, stating that 'the party and government will determine carefully the reform of the NHI scheme based on the review of the SCHR.' This political statement was intended to further delay any substantial steps towards reform, as the MoHW was aware that the SCHR was unlikely to make any radical proposals. In addition, the MoHW might have expected that even though ruling NKP members were now supporting the NHI reform plan to gain political capital during the presidential election in December 1997, any force behind reform was again likely to be greatly diluted after the election. The MoHW, however, was compelled to take some action and created a substitute bill to replace the reform bill, the *National Medical Insurance Act,* which was passed with wide consensus amongst members of the ruling party and opposition parties.[31] Despite opposing this reform bill, the NKP was left in some confusion by Hwang's agenda over how to deal with NHI reform. After various policy reversals, the ruling party decided to pass the reform proposal of Hwang within the party because party members realised they would have to answer demands from a wide range of civic groups in the face of the presidential election.

Unlike the NKP, on the other hand, the opposition party led by Kim Dae Jung drove a highly consistent policy agenda regarding NHI reform. The opposition leader continued to promise reform through public pledges in the 14th and 15th

[31] Interview with Cho, Director of the SPHR, and interview with Kim Yeon Myung on October 2 1999, Vice-Chief of the Social Welfare Committee in the Peoples' Solidarity for Participatory Democracy (PSPD), one of the strongest NGOs in Korea and a technical expert of the Board for Promoting and Planning the Unified NHI Scheme (BPPU) under Kim Dae Jung government.

presidential elections. Through Kim Dae Jung's steady efforts for reform, his party was able to accelerate reform pressure in alliance with civic groups such as the CoPS. Even after the birth of the merged ruling party, Kim Dae Jung was able to expand his political power and establish himself as a powerful opposition leader, largely on the basis of his positions on health care policy. Accordingly, he was also able to drive a consistently strong political agenda within his party without compromising with powerful opposition leaders such as Kim Young Sam and Kim Jong Pil. Most importantly, in comparison to other party leaders, Kim Dae Jung had a clear understanding and political vision concerning medical insurance reform. This distinctive political view of Kim Dae Jung provided a continuous motivation and impetus for him to pursue a reform agenda[32] as well as a sound base within the National Assembly with which reformists movements could ally.

Before the 15th presidential election, however, Kim Dae Jung was influenced by Kim Jong Pil who, after seceding from the merged party, increased pressure on Kim Dae Jung and the NCNP to work for more radical reform. After Kim Jong Pil built the ULD, this party joined the reform movement in alliance with the NCNP. Kim Jong Pil was not in reality a strong supporter of reform, but he was aware that he needed to convey a reforming image to attract voters as a returning opposition leader with a progressive agenda. The alliance of these parties strengthened the force behind medical insurance reform in the parliament and enabled the two Kims and two opposition parties to create the reform bill for the National Health Insurance Act. Co-operation between the two Kims continued and provided a basis for a powerful political alliance when Kim Dae Jung won the 15th presidential election in December 1997.

[32] Interview with Kim, Vice-Chief of the Social Welfare Committee in the PSPD.

Conclusion

President Kim Young Sam had been a supporter of NHI reform throughout his long tenure as an opposition leader. After his election as president in December 1992, however, he demonstrated little commitment to reform of the medical insurance programme. His main policy tool, when confronted with acute and unavoidable socio-economic problems in rural areas, was to establish several special advisory institutions to convince the public that he had the intention to support reform. Under pressure from foreign counterparts and international economic organisations, the Kim Young Sam administration sought to add legitimacy to its economic and foreign policy through the rhetoric of 'globalisation' and 'quality of life.' The government backed up this political rhetoric by adopting a neo-liberalist approach to national economic and social policy. Based on the attitude of the government, special advisory institutions produced outcomes of health care policy, but their policy direction was to develop the NHI scheme within the current conservative system without radical challenges.

The MoHSA/MoHW strongly opposed reform of the NHI scheme. Anti-reformist civil servants occupied major executive positions in the ministry and steadily obstructed any reform movement. When the ruling party finally decided to reform the NHI scheme, the MoHW failed to co-operate. The ministry pursued its own political agenda against any changes in the health care programme, and its success was largely based on the fact that members of special advisory bodies were overwhelmingly chosen from anti-reformist platforms.

In response, the activity of pressure groups became more organised and provided a crucial role in policy-making battles during the 1990s in an environment which was very different from that of the 1980s. Reformist pressure groups were forced to become more systematically organised and clear in the content of and grounds for their agendas. The CoPS was able to draw on public concern and the support of trade unions, farmers and fishermen for health care reform to create a more broad-based platform for the reform movement which it was then able to lead. It was also able to draw on its long experience to create a convincing health care policy agenda. Involvement of a new trade union, the KCTU, particularly accelerated the reformist movement's capacity to pressurise the government and the National Assembly. As a result, opposition parties and the National Assembly

eventually responded to pressures from the reformist side and the socio-economic crisis in the rural sector by preparing the reform bill.

The KMA expressed and delivered its demands to political institutions more aggressively than at any other period; its membership was tremendously increased prior to the presidential election, and the strategy of the KMA to make the most of the presidential election season was successful in ensuring support from presidential candidates.

In this period, a higher degree of pluralism is found than in the case of the second reform debate in the late 1980s. More interest groups participated in the policy process, and their influence also increased in comparison to earlier periods. As mentioned earlier, the involvement of the labour organisation increased the influence of the reformist side in the policy-making arena. It is clear that the 'working class mobilisation' approach can explain the medical insurance development during this particular period. A limited number of elite groups and institutions were still influential in the policy process, although the degree of involvement of certain elite groups and institutions was less prominent than in previous stages of the reform campaign. This seems to imply that political power was more evenly distributed among a broader range of actors within the government.

Amidst the development of democratisation in the country, the influence of the broader citizenry was improved in the society. The growing political influence of citizens converged around the collective activities of an umbrella civic organisation known as the CoPS. Compared to the reform civic group of the second reform movement which was active during the latter part of the 1980s, this organisation became more varied and solid. The agenda of these reformers focused principally on the acquisition of the citizen's right to health care from the government. This was accomplished through increasing the pressure on the political system and by demanding financial support for a health care programme from the government. The strategy was to continuously apply pressure to political parties and politicians until success caused the policy makers and politicians to heed the voices of the electorate – especially during the election seasons.

CHAPTER 7. SUCCESS IN INTEGRATING THE NHI (1998-2000)

In this stage of the reform movement, activities between reformist and anti-reformist sides become more complex. Thus, this chapter identifies the interest groups engaged in the battle over medical insurance reform and explores the actions and limitations of the new government in legislating and implementing the NHI reform.

Under the economic crisis which began towards the end of 1997, the nation expected a new leadership in the social, political and economic arenas to emerge. As a result, Kim Dae Jung, leader of the opposition party, was elected as the new president.

Medical insurance was seen as being an unsuccessful policy, and there was pressure to reform it radically. The new leader of the country, who had strongly supported reform of NHI, carried out the reform of the scheme with the support of the organised reformist groups. Meanwhile, the anti-reformist group in the government continually attempted to block legislation of the reform. A newly organised anti-reformist interest group outside the government became heavily involved in the policy process in order to obstruct the enforcement of the reform bill before the implementation of the reformed medical insurance programme and the general election.

In this period, the government handled two major assignments at the same time – the implementation of the 1997 National Medical Insurance Act (which was a moderate reform bill suggested by the former ruling party), and the legislation of a radical reform bill (which was the new ruling party's preference).

7.1 The Economic Crisis and Political Transitions

Prior to the 15th presidential election[1] towards the end of 1997, the state of Korea confronted two significant events. Firstly, the country began to face economic crisis, the so-called *IMF crisis*. The economic crisis critically affected the entire functioning of the national economy and this impacted upon the citizens' daily lives. The collapse of many private sectors due to the financial bankruptcy of the country

led to the rapid restructuring of all levels of society. Large-scale job layoffs occurred within a short period, leading to further economic turmoil, a rapid rise in homelessness, and widespread fracturing of family and society in Korea. As a result, the economic crisis brought the country into fundamental confusion.

The second event occurred within the political domain. In October 1997, two months before the presidential election, Kim Dae Jung, leader of the National Congress for New Politics party (NCNP), and Kim Jong Pil, leader of the United Liberal Democrats Party (ULD), announced a political alliance between two of the opposition parties for the forthcoming presidential election, the so-called *DJP Alliance*. Two opposition leaders made an agreement that Kim Dae Jung would be the only presidential candidate to represent the two parties, and if Kim Dae Jung won the election, Kim Jong Pil would be offered a prime ministerial position. In addition, the agreement offered to change the constitution into a German-style-cabinet system within two and a half years, which was Kim Jong Pil's long-time aim. Tied to this was a promise of 50% political power to Kim Jong Pil in the new government.

Through these unprecedented economic and political turning points in Korea, Kim Dae Jung was elected as the 15th president in December 1997. He became the first president to be elected from the political opposition in the history of Korean politics. However, President-elect Kim and other policy-makers in his party fell immediately into a dilemma over two major difficulties. One of these was to spend a huge proportion of the national budget to restructure and attempt to save the ruined domestic economy. On the other hand, they had to increase public spending on constructing a social safety net to deal not only with social demands from domestic factors in need but also with international demands from the International Monetary Fund (IMF) and the World Bank. A real concern of the president-elect and his fellow politicians was how to confront concurrently these two discordant matters in such harsh economic conditions.

Moreover, Kim Dae Jung and the ruling coalition had to start their political journey under the difficult parliamentary circumstance of a small ruling party, and a larger opposition party. In accordance with the result of the 15th general election, the former ruling party, the Grand National Party (GNP) acquired 165 seats out of

---

[1] The 15th president is Kim Dae Jung.

299 total parliamentary seats. The GNP was the new name of the former ruling New Korean Party (NKP).[2] However, the number of total seats of the new ruling coalition, the NCNP and the ULD, was only 121 seats – 78 from the NCNP and 43 from the ULD. During the Roh Tae Woo government, similar parliamentary circumstances had occurred. At that time, three opposition parties possessed over half of the parliamentary seats in the National Assembly. But, now, as there was a huge single opposition party occupying the National Assembly, it was expected that the opposition party could easily tackle the policy of the government and the ruling party from within the policy process.

7.2 Response of the New Government to the New Paradigm

At the very initial stage of the new government of Kim Dae Jung, the government was committed primarily to dealing with unemployment issues caused by the economic crisis. The economic crisis hit vulnerable groups harder, increased the proportion of part-time and daily workers, and reversed the trend of steady improvement of income distribution (see Table 7-1, 7-2, and 7-3). In order to confront one of the most painful failures in the modern history of Korea, the government had to provide extended coverage of social insurance schemes so as to strengthen the 'social safety net' as protection from the socio-economic turmoil. This was a short-term measure and a minimum level of treatment provided by the government, designed to cushion the sudden impact on the daily life of citizens. In fact, the 'social safety net' or 'social protection' was not a popular term in the Korean political arena until the onset of economic crisis. During almost two decades of consistent and rapid economic growth, unemployment rates were extremely low, and the employment culture also provided a secure work environment for employees. As policy-makers had unilaterally concentrated on rapid economic growth, there was very little incentive for them in bureaucracy to take seriously social protection or social welfare programmes in preparation for such an unexpected crisis.

[2] The New Korean Party (NKP) changed its title to the Grand National Party (GNP) before the 15th general election.

Table 7-1 Unemployment Rates (1995 – 1999)

(Unit: %)

1997		1998												1999			
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
2.6	3.1	4.5	5.9	6.5	6.7	6.9	7.0	7.6	7.4	7.3	7.1	7.3	7.9	8.5	8.7	8.1	7.2

Source: National Statistical Office (1999) *Monthly Statistics of Korea*, May, the Republic of Korea.

Table 7-2 The Status of Income Distribution (1986 – 1999)

Year	1986	1988	1990	1991	1992	1993	1996	1997	1998	1999
Gini Co-Efficient *	0.340	0.327	0.300	0.302	0.287	0.289	0.288	0.282	0.316	0.320

Source: Kwon, S.M. (2001) Economic Crisis and Social Policy Reform in Korea, *International Journal of Social Welfare*, Vol. 10, p.100

* A state of perfectly even (equitable) income distribution has a Gini coefficient of 0 with its maximum positive value of 1 representing a perfectly skewed

Table 7-3 Changes in Monthly Average Income and Expenditure of Labour Households Living in Urban Areas: 1980-1998

(Unit: '000 Won[3]; %)

	1980	1990	1995	1996	1997	1998
Monthly Income	234.1	943.3	1,911.1	2,152.7	2,287.3	2,133.1
Expenditure of Household	183.6	723.0	1,409.1	1,602.9	1,676.9	1,536.2

Source: National Statistical Office (1999) *1999 Social Indications of Korea*, the Republic of Korea.

Through a series of social policy-making during this period, the Kim Dae Jung government distinctively delivered two contradictory (dual) approaches to the social policy setting. First, the new government adopted the neo-liberalism into Korean social policy. As a result, the government emphasised three features in the policy-making process: a 'small government,' 'privatisation' and 'market mechanism.' On the other hand, Kim Dae Jung also showed the social-democratic approach in the social policy-making process. We can observe this challenge of the new president in: ① the radical reform of the NHI scheme; ② the expansion of the national pension and unemployment insurance schemes; and ③ the increase of national budgets for unemployment relief. Although those progressive decisions were made to mitigate the socio-economic problems caused by the economic crisis, it contributed to the development of social policy in the country (Kim, 1999: 2-3).

Another key aspect in the social policy of the Kim Dae Jung government is

[3] The unit of money in Korea.

that the idea of 'workfare' was reflected in the welfare agenda through the entitlement of 'Productive Welfare.' The workfare aimed to provide financial support for the unemployed who were not insured through temporary public work programmes. President Kim Dae Jung initially unveiled the idea of Productive Welfare in his Liberation Day speech on August 18 1998. However, the same picture of this concept was adopted from the *Welfare Design for the 'Quality of Life' in Globalisation*[4] of the Kim Young Sam government.

Just as the social policy agenda of the Kim Young Sam administration was likely to be adopted from the welfare reform of the Clinton administration in the U.S., so that of the Kim Dae Jung government was influenced by the 'Third Way' approach of New Labour and Tony Blair. Lee Jang Won, Chief Director of the Planning Board for Improving Quality of Life,[5] underlined that the idea of Productive Welfare is based on the concept of the Third Way, in terms of excluding two separate perspectives between 'market' and 'welfare' as well as of searching for the middle-of-the-road policy (Lee, 1999: 5). It is clear, then, that the neo-liberal approach stemming from outside influences contributed to the design of Kim Young Sam and Kim Dae Jung's welfare ideology in general.

Why did these two governments engage this particular ideological perspective in their welfare agenda? It is likely that they needed to adopt this ideological approach, which had been seen as a popular trend in Western welfare states, to legitimate their social and economic policies under the circumstances they faced. The Kim Young Sam administration announced many welfare agendas to alleviate mounting unrest over the open economic policy of the government under the name of 'globalisation.' To justify the globalisation policy, it was necessary for the government to bring similar neo-liberal trends into the policy-making arena.

Although Kim Dae Jung was a more progressive politician than Kim Young Sam, he believed that he had no choice but to adopt the neo-liberalist approach to the social policy process under the economic crisis. As the new government faced the lack of financial capability in restructuring economic and public sectors, the

---

[4] For more about the project of the Kim Young Sam government, see pp.190-195 in Chapter 6.

[5] After unveiling the Productive Welfare plan, the Planning Board for Improving Quality of Life was established within the Presidential Secretariat Office. The Chief Secretariat Officer for Labour and Welfare in the Presidential Secretariat Office took charge of the board. The board focused mostly on working for the implementation of Productive Welfare plans and on dealing with other social policy matters.

leader might have had a limited choice besides preventing public spending from over-investment.

The outside influences in social policy-making are discussed in a later section.

7.3 The Adoption of a Corporatist State

President-elect Kim established the Transitional Committee to sketch the restructuring blueprints for the new government. The Transitional Committee intended to design one hundred projects for the new government to develop following presidential inauguration. Meanwhile, the new ruling party (the NCNP) was charged with organising the Tripartite Committee composed of employees, employers and the government. It was vital for the government and new ruling party to reach a consensus with these key economic players in order to tackle the national crisis in the face of massive unemployment. The ruling NCNP dramatically made an agreement to set up the Tripartite Committee with the Korean Confederation of Trade Unions (KCTU) and the Federation of Korean Trade Unions (FKTU), via a marathon conference between the party and two trade unions on January 14 1998. Thereafter, the policy-making process of the new government and new ruling party was closely associated with the activity of two committees – the Transitional Committee and the Tripartite Committee – in a policy-making dialogue.

In relation to social policy issues, the Transitional Committee concentrated on working on the key issues such as reducing unemployment, developing the social protection system, and assisting those in urgent need who were at risk due to the enormous cut in general income as a result of the economic crisis. In January 1998, the Transitional Committee chaired by Lee Jong Chan divided the committee into six divisions and instructed that major social policy research be conducted within the Social and Cultural Division in the committee. Lee had been General Secretary of the DJP, the ruling party under the Chun regime, in the beginning of the 1980s. Also, he had been a supporter for the NHI reform in the first reform movement (from 1980 to 1983).

7.4 The Resistance of the MoHW

Although the moderate reform bill, the National Medical Insurance Act, was

meanwhile passed in the National Assembly in November 1997, the MoHW was not actively working for the new law. To compound this, once the reform bill was legislated, the MoHW again considered using the presidential veto to oppose it. The MoHW contacted the Chair of the Policy Committee of the ruling and opposition parties respectively to suggest mobilising the veto, but the executives of political parties opposed this idea on December 26 1997 (Chosun Il Bo, January 8 1998). As soon as the idea of the veto over the reform bill was rejected by the executives of the political parties, the MoHW decided to prepare an alternative bill to replace the legislated reform bill (MoHW, January 1998a).

The resistance of the ministry to reform was led mainly by the anti-reformist civil servants during this period rather than by the president or minister. First, since it was a transitional period of taking over the government by the new president-elect, the leadership of the current president and ministers were too weakened to lead the anti-reform movement within the political arena. Second, as the last Minister of Health and Welfare of the Kim Young Sam government, Choi Kwang, was not a strong resistor of the NHI reform (unlike two ministers, Rhee Hai Won and Moon Tae Joon, during the 1980s), there was no reason for him to become involved in the action and take risks in the final days of the current government.

The intention of the MoHW to block the implementation of the reform Act is illustrated in the MoHW's paper. According to the *Report of Major Affairs* introduced to the Transitional Committee by the MoHW in December 1997, the MoHW only addressed general points of 'building efficient management and an autonomous competition system,' 'setting the principle of proper contributions and proper benefits,' and 'improving the fee schedule for the medical insurance programme,' which had been repeated by special advisory institutions under the Kim Young Sam government (MoHW, December 1997: 34). There was neither a concrete plan nor even any general ideas to carry out medical insurance reform in the report before the implementation of the new law. The implementation of the NHI reform was even dropped from 44 prior pledges selected by the MoHW for the primary affairs of the new president (p.38). On January 8 1998, the MoHW reported an alternative measure to the legislated reform Act to the Transitional Committee (Chosun Il Bo, January 8 1998).

The MoHW stipulated repeatedly that if the National Medical Insurance Act

was implemented in October 1998,[6] ① the financial burden of government would be increased because of the financial deficit of local NHI funding societies; ② the merit of an autonomous management mechanism by competition between funding societies would disappear; ③ institutional inefficiency would be caused by the bureaucratic and inflexible system of a huge state-run funding organisation; and ④ confusion would arise because of sudden systematic changes in the medical insurance programme (MoHW, January 1998a: 7-8). Accordingly, the MoHW announced that the ministry would propose an alternative bill, based on the suggestions of the Special Committee for Health Reform (SCHR), to a special session of the National Assembly scheduled in March 1998. The ministry also stressed that the alternative bill would include the measure of merging 227 local funding societies into 16 larger-scale funding societies on the basis of city-size level (*Si*- and *Kun*-size level) (MoHW, January 1998a: 8).

As a result of the MoHW resistance, a radical reform plan to fully integrate all fragmented medical insurance systems (a public pledge of President-elect Kim Dae Jung during his presidential campaign) was not immediately fulfilled in the new government. Since January 1998, each division under the Transitional Committee had worked to select a hundred projects for the new government's primary performances, on the basis of campaign pledges of President-elect Kim. The Social and Cultural Division submitted its draft to the committee in January, but the details of a more advanced reform plan were not included (MoHW, January 1998b). In addition, on January 13 1998, the Transitional Committee delivered 59 emergency measures which the president-elect had to implement immediately following the presidential inauguration scheduled for February 25. However, the committee only announced that the NHI administration system would be improved without introducing a specific master plan for medical insurance reform (Dong A Il Bo, January 14 1998 & Chosun Il Bo, January 14 1998). We can gauge that in this transitional period the Transitional Committee was not even free to address medical insurance reform. It is evident that anti-reformist power still dominated the policy process in the government at the moment. As the Transitional Committee worked closely with the ministries to take up the government, it was not difficult for the anti-reformists in the government to reflect their aims in the proposals.

---

[6] October 1998 was the original schedule for the enforcement of the new law.

On the same date, the MoHW presented results of an organisational examination which investigated the flaws of the administrative system of NHI funding societies. According to the ministry, as local funding societies were overstaffed by 18.3% (1,840 employees), and company funding societies were overstaffed by 8.5% (344 employees), the number of surplus employees would be reduced (Chosun Il Bo, January 14 1998).

The strategy of the MoHW to block the reform was to persuade the policy makers that the current separate system of NHI could obtain similar effects by partial prescriptions without a radical reformation. Thus, the ministry kept emphasising two particular alternatives, that the number of 'funding societies' and 'employees' would be reduced to an adequate level to increase administrative efficiency.

7.5 The Decisions of the Two Committees and the Subsequent Responses

Meanwhile, the Tripartite Committee reached an agreement to improve four social insurance programmes. In particular, the committee members decided to reform more radically the NHI scheme to unify all of the fragmented managerial and financial systems. And the Tripartite Committee included these decisions in its *Proposal of Social Consensus to Overcome the Economic Crisis* (Tripartite Committee, 1998). The reform of the NHI scheme was strongly insisted upon by the KCTU in the Tripartite Committee. In the proposal, many areas regarding corporation, finance, taxation, social security, unemployment and employment were chosen in the restructuring categories. In respect to the decision of the Tripartite Committee, the Transitional Committee accepted their suggestion and stated in response that the new government would pursue the radical reform of the NHI scheme within the current year (Kyung Hyang Shin Moon, February 4 1998).

It should be noted that the design of the radical NHI reform was not created by the Tripartite Committee. In other words, not only did the components of the Tripartite Committee not participate in shaping the blueprint of the medical insurance reform, but also individual interest of the committee's members was not integrated into the formation of the reform. The committee performed a role of merely confirming the necessity of the medical insurance reform and delivered its

determination to the new government under the consensus amongst the three representatives in the committee. As is evidenced in preceding chapters, historically, reformist members had continued to communicate adequately about medical insurance reform with the reformist politicians, especially in opposition parties, for a long period of time.[7] In this relationship, the political context and consensus with reference to the NHI reform were already tuned between the opposition party-politicians and the pro-NHI reform (civic) organisations.

At this point, we need to raise the question of why the new government attempted a radical reform of the NHI scheme. The 1997 National Medical Insurance Act was a moderate reform bill proposed by the former ruling party. Although this bill was not as progressive as the reform proposal of the former opposition party (now the ruling party), the opposition party had to support the moderate reform in considering the incoming presidential election and following the general election in 1997. However, since the former opposition became the ruling party after the election, there was no reason for President-elect Kim Dae Jung and the ruling party not to introduce a radical reform bill, which had been a long-time public pledge of theirs. Of course, the public supporters of President-elect Kim believed that he and his party would do so.

As soon as the political atmosphere favoured reforming the NHI scheme, the first resistance of the anti-NHI reformist side was immediately triggered by the National Federation of Medical Insurance (NFMI). Youn Sung Tae, President of the NFMI and former anti-reformist civil servant, delivered the *Review Paper about Contribution Payment of Employees After the Unified NHI Scheme*. The NFMI distributed this report to the major presses. In fact, Youn Sung Tae had already distributed the *Expected Problems After Implementing the National Medical Insurance Act* to obstruct the implementation of the first reform bill passed in November 1997. In the paper, he gave a warning about the reform (the 1997 National Medical Insurance Act) scheduled for October 1998. The warnings were as follows: ① as a financial deficit in the scheme is to be expected, the financial burden of government would be heavily increased; ② the financial burden of farmers and

[7] Interview with Kim Yeon Myung, Vice-Chief of the Social Welfare Committee in People's Solidarity for Participatory Democracy. (PSPD), which is one of most powerful non-government organisations in Korea, former Policy Director of the CoPS, and a technical expert for the BPPU under the Kim Dae Jung government.

fishermen would be increased due to relatively more transparent income data than that of the self-employed in urban areas; ③ the efficiency of management would be reduced (NFMI, January 1998).

According to the review, the NFMI stated the following (Chosun Il Bo, February 17 1998):

> After implementing the reform, the contribution rates of employees in private sectors will be increased to 38.24%, but the contribution rates of farmers and fishermen as well as the self-employed in urban areas will be lowered by 62.29% and 50.37% respectively.

The NFMI continually emphasised that:

> If the reform is carried out, local funding societies will face a deficit of one thousand billion Won. Hence, the financial deficit will be directly transferred to the employees in private sectors.

The aims of the NFMI of these warnings were to put pressure on the Transitional Committee before the reform policy was settled within the committee, and to stimulate the wage earners. The second aim especially became a new pivot of the arguments of the anti-reformists during this particular period. This is an interesting point, that whereas the previous argument of the anti-reformists emphasised the increase of governmental responsibility in medical insurance, the new strategy aimed at the waged employees in private sectors.

In regard to the report of the NFMI, the MoHW denied the facts carried in Youn's report on February 17. Consequently, the Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI Scheme (CoPS), the pro-NHI reformist umbrella organisation, criticised the NFMI and strongly demanded an official apology in regard to releasing the unreliable data and the delivery of a corrected edition to the public. The CoPS also stressed that "if the NFMI does not apologise officially to the public, we will take a legal action against the President of the NFMI" (Han Kyo Reh, February 17 1998).

7.6 Preparation for a Radical Reform

On January 30 1998, regardless of resistance of the NFMI to the reform, the government organised the Special Committee for the Establishment of a National Medical Insurance Corporation (SCENMIC) in order to carry out the implementation of the National Medical Insurance Act scheduled for October 1998. The committee held its first meeting to discuss the details of policy and structure of the administration body as well as of the imposing system for contributions for the new scheme, on February 4. The special committee consisted of eleven members. Many reform supporters were selected as committee members at this time (MoHW, March 1998a).[8] After the presidential inauguration on February 25 1998[9], as a consequence, the MoHW officially established the Board for Promoting and Planning the Unified NHI Scheme (BPPU) in the ministry on March 24 1998. The goals of the board were to determine a feasible plan and schedule to pursue a radical reform, and to formulate the managerial and financial structures for the new system. In order to enact the idea, the BPPU consisted of three divisions and recruited more reformists as board members, expanding it to include trade unions and more civic groups. The 1st division was in charge of restructuring the management system and disposing the reserve funds. The 2nd division focused on building the imposing structure for contributions and the design for financial stability. And the mechanisms of fee schedules and fee payments were discussed in the 3rd division (MoHW, March 1998b).

In order to avoid any possible confusion at this point, it is necessary to note that the new government had taken two major steps at the same time: one was to prepare for the implementation of the National Medical Insurance Act (which was legislated in 1997 and was a moderate reform bill), and the other was to establish a

---

[8] The special committee selected members to represent the insured, the insurers, medical representatives and the public. As representatives of the insured, representatives from the Federation of Farming Business Men, the Citizens' Coalition for Economic Justice (one of the powerful civic groups) and the Ministry of Government Administration (which had been in charge of the insurance for civil servants) were selected. As the representative of the insurers, members were chosen from the Korean Medical Insurance Corporation for Employees in Government and Private Schools, and the Association of Managing Directors in the Local Funding Societies. The representatives from the Korean Medical Association, the Korean Pharmacists Association and the Korean Hospitals Association also joined the committee. Finally, Cha Heung Bong, Professor at Hallym University, Kim Yong Ik, Professor at Seoul National University Medical School, and a senior officer from the MoHW participated in the committee (MoHW, March 1998a). Apart from the representatives of the insurers and medicine as well as the government, the rest of the members were long-time NHI reform supporters.

[9] On February 25 1998, the new government began its political journey on the basis of the alliance with the ULD. It is also called *Citizens' government*.

blueprint of a radical reform. As the 1997 reform Act was scheduled to be enforced in October 1998, the new government had to work first for the enforcement of the legislation while in preparation for the radical reform.

In order to assist research in each division of the board, technical experts were appointed (MoHW, March 1998b). In regard to the composition of the board members, current members of the Special Committee for the Establishment of National Medical Insurance Corporation automatically became members of the board. In addition, the representatives from two trade unions (the FKTU and the KCTU), the Citizens' Coalition for Consumers, the Federation of Korean Industries (FKI) and the Korean Employers' Federation (KEF) were newly joined to the side of the insured on the board. A representative from the Association of Managing Directors in the Company Funding Societies entered the insurers' group. Also, more reformists joined the technical experts' team in the BPPU (MoHW, March 1998b).

On April 10, when Health and Welfare Minister Kim Mo Im presented the current performing procedures for the NHI reform to President Kim Dae Jung, the minister also confirmed that the ministry would submit a radical reform bill to this plenary session of the National Assembly in 1998 (MoHW, April 1998).

In this atmosphere, the Korean Medical Association (KMA) took action quickly to reflect its demands on the policy-making of the reform. In the 50th general meeting of the KMA on April 25 1998, the senior executive members decided to support the NHI reform, and also to call for the 'independence of the fee examining body' and the 'contract system for fee schedules' between the insurer and the medical service provider (Newspaper of the KMA, April 27 1998). Two days later, the Korean Hospitals Association (KHA) and the Korean Academy of Medical Law held a joint public hearing to discuss the new formation of medical insurance of the new government. In the public hearing, Sohn Meong Sei, Professor of Yonsei University Medical School, emphasised: ① changing the current 'compulsory appointing system' for medical service providers to a 'contract system'; ② adopting a 'contract system' for fee schedules between the insurer and the medical service provider; and ③ adopting a private medical insurance system (Newspaper of the KMA, April 30 1998).

The Policy Committee of the ruling party revealed its special report, *One Hundred Days' Evaluation of the Citizens' Government*, which aimed to evaluate

the reform being processed by the new government, in June 1998. The report described problems and countermeasures regarding the reform process occurring in the social, political and economical arenas. In regard to health policy concerns, the party underlined the following (Policy Committee of the NCNP, June 1998):

> Primary projects for reforming the health care sector are to enhance the public medicine, to secure macroscopic efficiency of the medical supply system, and to distribute fairly health and medical services. However, the context of the project can be achieved when the structural reform is systematically performed. In this case, the role and burden of government will be increased under the current difficulty of the national economy. So, most of all, but alternatively, the government needs to attempt health and medical reform without a huge financial input, as possible. For this, the government should primarily choose less burdening projects, which are associated with the improvement of national health, from the one hundred projects. And then, government needs to carry out the reform projects by breaking through partial resistance from some interest groups which oppose the reform. Otherwise, the reform in health and medical sectors will not be achieved (p.39).

According to the statement above, the ruling party fundamentally agreed the necessity of reforming the medical insurance. However, the party raised two major concerns regarding the reform plan of the government. First of all, the party suggested the government would need to minimise its financial input for reform. And second, the party warned the government to prepare for mounting resistance from those opposed to reform.

7.7 The Welfare Reform in the Kim Dae Jung Government

In June 1998, the Evaluating and Planning Board of Social Security (EPBSS) under the government announced its report, the *1st Social Security Development Five-Year Plan* (1999 – 2003). However, this project demonstrated a very similar picture to the idea of the Kim Young Sam administration. Similar to the Welfare Design for the 'Quality of Life' in Globalisation[10] of the Kim Young Sam government, this five-year plan aimed at building a 'productive welfare community' in association with family, neighbours, local community and government. In addition, the goal of

[10] About this project of the Kim Young Sam government, see pp.192-193 in Chapter 6.

the plan was extended to construct a social safety net to protect people in the country. In order to achieve the goal in five years, the board addressed five points (EPBSS, 1998: 2):

- To guarantee a standard national welfare line in respect of the 'right to live.'
- To attain the guideline for the 'scale of coverage' and the 'benefit level' in social insurance programmes that the International Labour Organisation (ILO) suggests.
- To build a welfare administration system for the 'demand' side.
- To increase national social security expenditure up to the level of the international average.
- To set up a social security system in preparation for the unification of North and South Korea.

This report especially emphasised that government would need to build a new paradigm to harmonise 'economic growth' and 'welfare,' which enable the generation of an ultimately 'productive welfare community.' In regard to this point of view, the report mentioned 'balanced welfare state' (p.6). This term was also used in the Welfare Design for the 'Quality of Life' in Globalisation in the Kim Young Sam government. According to the EPBSS, the term 'Productive Welfare' is defined as below (EPBSS, 1998: 6-7):

- When social development and economic growth are in balance, social security can maximise national productivity by improving human development and work-motivation as well as by achieving social solidarity.
- Social welfare would be expanded to suit the national economic level, in maintaining a balanced relationship between economic growth and stabilisation, relying solely on neither. Therefore, proper economic growth and fair distribution of wealth would be simultaneously achieved.
- On the basis of harmonising 'efficiency and self-reliance', and 'equality and community,' the expansion of welfare should not restrict economic growth. Simultaneously, social solidarity should be achieved by a governmental guarantee of a standard national welfare line for the entire population.
- Basic social security in the areas of income, health, housing and education would

be met as a government responsibility. Furthermore, government will guarantee a standard of living for people who are unable to work or to sustain their quality of life. However, government would also seek to create and provide a working environment for people who are able to work.

- As the administrative systems of four major social insurance programmes are diverse, it is necessary to merge fragmented social insurance programmes into a singular management body.[11]

Besides the integration of four fragmented social insurance programmes, the unified NHI scheme and the adoption of private insurance systems were also addressed in the proposal (EPBSS, 1998).

As we have seen, the Kim Dae Jung government adopted many similar points of view from the welfare agenda of the Kim Young Sam government. However, we can observe three distinctive aspects in respect of welfare policy of the Kim Dae Jung government: ① the intention of improving welfare; ② simultaneous development of welfare and national economy; and ③ the adoption of the market economy into welfare development. Its fundamental idea of social policy was that the government would intend to develop national welfare but also would look for economic growth at the same time. However, this agenda was closely allied to the rhetoric. Because the new government inevitably had to provide clear measures to the public in dealing with two confronting difficulties – economic recovery and welfare provisions – under the economic crisis, it unveiled the policy agenda, which included a political intention to achieve both objectives together, in convincing the public.

The second speculation upon the policy agenda is that President Kim Dae Jung gave more political priority to economic policy because of the national turmoil, although he was recognised to have possessed more socialistic views than other senior politicians in the country. Therefore, the welfare agenda of the new government was designed to take account of the mounting demands for welfare development in order to avoid any negative impact upon the economic recovery.

---

[11] The national pension and medical insurance programmes have been managed by the MoHW. On the other hand, the industrial accident and unemployment programmes have been controlled under the Ministry of Labour (MoL).

More discussions about the welfare ideology of the new government will be discussed at the end of the chapter.

7.8 The Reform and the Company Funding Societies Union

The BPPU held the 8th general meeting on July 8 1998. The board deliberated the final major points in order to prepare a reform bill and decided to engage in dialogue with each special division to discuss more details regarding the reform process. In the meeting, the following issues were discussed and determined for the reform bill (BPPU, July 1998):

- To organise an independent fee examining body.
- To adopt a 'compulsory appointing system' rather than a 'contract system' for the medical service providers.
- To entitle the National Health Insurance Corporation as a new NHI administrative body.
- To adopt a single contribution imposing system based on income level.
- To consolidate the fragmented NHI financial systems.
- To transfer comprehensively the current reserve funds of each funding society to a new funding body.
- To implement the new NHI scheme in January 2000, after a one-year-preparation period.

In the meantime, President Kim authorised Health and Welfare Minister Kim Mo Im to accomplish the reform in the meeting on July 8 1998 (Chosun Il Bo, July 9 1998). Soon after the BPPU's meeting, a rough draft of the reform bill was made by the MoHW (MoHW, July 1998) on the basis of the agreement of the BPPU. Despite continuous efforts from the government to restructure the social security system, the Korea Employers' Federation (KEF) delivered the *Opinions of Entrepreneurs about Expanding the Beneficiaries of the Social Insurance System* on July 31. Through the petition, the KEF complained that (Han Kyo Reh, August 1 1998):

> The idea of the government to expand the beneficiaries of four social insurance programmes, as one of the countermeasures in dealing with the unemployment issue under the economic crisis, is to ignore

current difficult circumstances in private sectors because it will add financial burdens on the company and its employees.

Under pressure from the government, company funding societies rapidly established their own trade union, the *Korean Federation of Company Funding Societies Union* (henceforth referred to as the Company Funding Societies Union) in July 1998, and the union stressed that "the new NHI scheme has not yet been verified in the world, and it is going to provide a financial burden to the government and the insured." Most employees working in the company funding societies feared losing their jobs in the wake of the reform. As the local funding societies were bigger than the company funding societies, there was a possibility that the latter would be absorbed into the administration of the former after the birth of a state-run funding society. The workers in the company funding societies had supported the unified NHI scheme for a long time. However, when they feared layoff under the economic crisis and the NHI reform, they decided to protect themselves from an uncertain future in association with the NHI reform. In particular, the executives of both funding societies – company and local – were among the most vulnerable after the implementation of the reform. Thus, they of course strongly opposed the reform bill and even incited their employees to take action against the reform.[12]

The new trade union joined the FKTU. As the FKTU did not have powerful trade unions as its members in comparison to the KCTU, it was an advantage for the FKTU to hold the Company Funding Societies Union, where sub-member unions were widespread in the country, as a member of the FKTU. In consequence, the FKTU broke the agreement with the Tripartite Committee and began to oppose the NHI reform in affiliation with the Company Funding Societies Union. The Company Funding Societies Union declared that it would begin a 'one million signature collection campaign' in order to resist implementation of the NHI reform on August 7.

7.9 The National Health Insurance Act and the KMA

On August 8 1998, the reform bill entitled the *National Health Insurance Act* was officially unveiled by the MoHW to be examined in the National Assembly. The

[12] This information was gathered from interviews.

main points introduced by the government were as below (Newspaper of the KMA, August 10 1998):

- The Health Insurance Deliberating Committee would be organised under the MoHW to examine the fee schedule and develop a calculation method for the fee schedule (Article 5).
- The insurer of the new medical insurance programme would be the *National Health Insurance Corporation* (NHIC). The chief director of the corporation would be appointed by the president, and the board of executives would be designated by the Minister of Health and Welfare (Article 11 and 19).
- Medical insurance finance of the employees in the private sector and the self-employed in the local area would be unified (Article 32).
- Although medical service providers are basically appointed by the NHIC, health care institutions, hospitals or pharmacies established under the Regional Health Care Act, the Medical Act, and the Drugs, Cosmetics and Medical Instruments Act would be automatically designated as the NHI medical service providers (Article 41).[13]
- The Health Insurance Examining and Evaluating Centre would be separated from the NHIC and independently organised in order to examine objectively and fairly the service fee payment. The head of the centre would be appointed by the Minister of Health and Welfare (Article 58 and 62).
- The reform Act would be enforced from January 1 2000 (Additional Clause 1).

When the reform bill was introduced, most of the KMA's demands were not included. The most important interests of the KMA – the 'contract system' for the medical service providers and fee schedules as well as an 'independent fee examining body' – were excluded from the legal draft which was endorsed by the government. Even though the KMA had lobbied the government for those requirements for many years, it seemed that the government still intended to hold the key to controlling the medical supply and fee systems after NHI reform was put in place. This situation notwithstanding, the KMA became more determined in its

[13] The executives of the KMA appealed on this article to the Constitutional Court. According to the claim, they pointed out that "to appoint compulsorily the medical service providers through the National Health Insurance Act is to infringe excessively upon the freedom of business activities"

effort to reflect its interests in the reform legislation. This was a crucial opportunity for the KMA to obtain the independence of the medical professions from government control by inserting these two demands into the NHI reform bill.

In response, the KMA immediately proposed its demands to the MoHW. The main concerns of the KMA were (Newspaper of the KMA, August 27 & 31 1998):

- To adopt the 'contract system' for medical service providers as well as fee schedules, instead of the 'compulsory appointing system.' And if the contract is delayed, the Health Insurance Deliberating Committee would intervene in the situation.
- To give more independent power to the Health Insurance Deliberating Committee in examining fee schedules and so on.
- Regarding medical accidents, the KMA demand that a medical accident-risk allotted fund be included in the bill.
- That the executive members of the Health Insurance Examining and Evaluating Centre should consist of a head, 20 members of the board of the executives and an inspector. Among them, 10 executive members should be selected according to the recommendation of a medical representative institution. On the other hand, 5 members should be appointed from the insurers' side, and the rest should be elected from members of the public

On December 3 1998, the National Health Insurance Act was passed in the cabinet meeting and was delivered to the National Assembly (Chosun Il Bo, December 2 1998). In the meantime, on December 2, Hwang Sung Gyun, National Assemblyman in the opposition party, who proposed the 1997 National Medical Insurance Act, submitted a revised bill of the National Medical Insurance Act to the National Assembly. A number of the KMA's demands were included in his revised bill. As Hwang was a medical doctor and the incoming general election was scheduled in one year and three months, it seemed that those two reasons affected the decision of the opposition party to consider the KMA's interests in the revised bill. The revised bill included (Newspaper of the KMA, December 7 1998):

(Dong A Il Bo, August 3 2000).

- Adopting the 'contract system' instead of the 'compulsory appointing system' to the medical service provider.
- Establishing an 'independent fee examining body'.
- Postponing the merger of the financial systems of the waged workers in the private sector and the local insured until the income of the self-employed is properly disclosed.

These two bills (the National Health Insurance Act proposed by the government and the revised bill of the current National Medical Insurance Act proposed by the opposition party) were submitted to the bill examining body under the Committee of Health and Welfare (CoHW) in the National Assembly at the same time.

The ruling NCNP meanwhile delivered a convincing message about the reform to President Kim as below (Newspaper of the KMA, December 10 1998):

> With reference to the NHI reform, anti-reform movements have been rising up with the sudden establishment of the Company Funding Societies Union to oppose the reform. Moreover, a number of the GNP politicians in the CoHW, and some members of the NCNP and the ULD, oppose the reform. However, the NCNP confirmed that the reform aiming to pass the bill in the National Assembly in affiliation with the ULD will continue.

During the bill examining session in the CoHW, the committee agreed to submit a compromise reform bill between two proposed bills on December 10, and this compromised bill was passed in the CoHW on December 23. Finally, the bill was passed in the plenary session under the title of the National Health Insurance Act on January 6 1999 (Newspaper of the KMA, January 11 1999). In the examining process of the National Health Insurance Act, demands of the KMA were largely transplanted into the reform bill at this time. Similar to the 1989 reform bill, the National Health Insurance Act included crucial parts which the KMA had requested for a long time. The KMA celebrated the results by expressing that "the KMA achieved its long-cherished desire" (Newspaper of the KMA, January 11 1999). There were two significant points in the 1999 reform bill. Firstly, the fee examining body was converted to an independent institution. This decision was

significant in minimising unnecessary friction between insurers and medical service providers, and in reinforcing the professionalism of medical doctors. Secondly, the 'contract system' was adopted to decide annually the fee schedule between the insurers and the medical service providers. However, since the decisions made between the two sides had to be examined and determined once more through the Financial Management Committee in the NHIC (which consisted mainly of the representatives of the insured), the fee schedule would be highly controlled. In addition, it was added that if the contract was delayed, the Minister of Health and Welfare would be able to overrule the decision through the examination of the Health Insurance Deliberating and Adjustment Committee.[14]

As far as the KMA was concerned, these outcomes were great achievements obtained after a long struggle between the government and the medical professions because the government accepted the demands put forward by the nation's doctors. Practically speaking, however, it is difficult to say whether the KMA fully gained independence in the decision-making process relative to the fee schedules since the fee-schedule agreement between the insurer and the medical service providers must be reviewed by the Financial Management Committee before it could be officially sanctioned. Whereas Health and Welfare Minister Kim Mo Im supported the contract system, the issue was not reflected in the bill of the BPPU (Newspaper of the KMA, January 14 1999). However, Hwang Sung Gyun introduced the 'contract system' in a revision so that the issue was addressed in the CoHW. Eventually, on the basis of strong support from physicians, National Assemblymen, including Hwang himself, the 'contract system' was also included in the reform bill. This fulfilled a pledge given to the KMA that the ruling party would ensure passage of a bill that would make some form of NHI the law of the land. Hence, the proposed reform bill was a middle-of-the-road compromise between the government and the opposition party.

7.10 The Anti-Reformist Group and the FKTU

When the opening of parliamentary session was approaching at the end of 1998, the activity of anti-reformist organisations became more intensive. At this time, the

[14] Interview with Kim, Vice-Chief of the Social Welfare Committee in People's Solidarity for Participatory Democracy (PSPD) and a technical expert for the BPPU.

Company Funding Societies Union, the KEF and the FKTU co-operated to tackle the reform process of the government. The Company Funding Societies Union repeatedly delivered a message to the public that if the reform was achieved, the contribution rates of the wage earners would increase up to 40%. In addition, the Company Funding Societies Union insisted that "since the reserve fund of the funding society in the private sector is the property of the wage earners, transforming of the reserve fund of the company funding society into the new NHI funding organisation is infringing property rights." On November 23, the Company Funding Societies Union also announced that it would provide a petition to block the reform to the National Assembly within a week, (Han Kyo Reh, November 24; Dong A Il Bo, November 24 1998).

As mentioned earlier, the FKTU broke the agreement for the reform made in the Tripartite Committee with acceptance of the Company Funding Societies Union as a member. As a result, the Tripartite Committee faced a serious problem. The committee was going to have a meeting to discuss the details of financial support from the government to pursue the NHI reform, but the FKTU did not co-operate with the committee. On November 30 1998, the Tripartite Committee eventually announced that the agreement could not be reached for the financial support to promote the reform due to a huge gap of understanding regarding the reform between the government and the FKTU. However, the MoHW stressed that the reform would implement the original schedule despite the stalemate in the Tripartite Committee. The Company Funding Societies Union and the FKTU stated continuously that "the private sector will have to assist the local sector to cover their funding deficits after the reform. To avoid this situation, the government has to increase its financial support up to 50%." Meanwhile, the KEF claimed that "the reason that the enterprise has allotted a certain portion of the contributions for the NHI scheme was for occupational welfare in the company, but now there is no reason for us to pay partial contributions for employees under the unified NHI scheme" (Han Kyo Reh, December 1 1998).

7.11 The National Pension Scheme and Organised Anti-Reformist Groups

It was the National Pension (NP) scheme which brought an opportunity to the anti-

NHI reformist side to resist firmly implementation of the radical reform bill. In preparation of the implementation of the NP scheme for the self-employed in urban areas scheduled for April 1999, a serious flaw became apparent in the Korean taxation system. The biggest problem in Korean taxation structure is the extremely low transparency rate of income disclosure of the self-employed.[15] In advance of implementing the NP scheme, the government advised prospective pension receivers to report their income to the NP authority. However, not surprisingly, a large number of high income earners, such as medical doctors, lawyers and so on, reported much lower income data than the actual amount. Consequently, this underreporting of income provoked an angry response among those who earned a salary. The anti-reformist groups began to accuse the government and the NHI reform of the victimisation of the wage earners. When this spread throughout the country, the government finally organised the Special Committee for Revealing the Income of the Self-Employed on April 16.

Following the decision of the Company Funding Societies Union to enact a general strike to invalidate the National Health Insurance Act on February 3 1999 (Han Kyo Reh, February 4 1999), the union delivered its message through a statement, the *Problems of the Unified Medical Insurance*, on May 2, that the contribution rates of the wage earners in the private sector would increase up to 49% following the NHI reform due to the adoption of the new imposing system. Also, the Company Funding Societies Union insisted that the wage earners would have to pay arrears of the insured in local funding societies after the reform (Dong A Il Bo, May 3 & 7 1999). Concurrently, 87 member unions of the Company Funding Societies Union appealed to the Constitutional Court regarding the violation of the constitution in the reform bill on May 19. According to the petition, they argued that Article 33 of the 1999 reform Act about financial unification infringed upon the right of equality, and Article 62 (about transferring the reserve funds of the company funding societies into a new state-funding authority) violated the right of property. (Dong A Il Bo, May 18 1999; Han Kyo Reh, May 20 1999). To intensify anti-reform action, the FKTU established the National Conference for Preventing the Salaried from Over-paying Contributions and for Social Insurance Reform (NCPS).

---

[15] Generally speaking, only about 25% of income of the self-employed is disclosed (Dong A Il Bo, May 20 1999).

The conference aimed to suspend the implementation of the NHI reform until the income transparency rate of the self-employed increased to 80%, and until government paid for 50% of the finance of the local funding society (Chosun Il Bo, May 22 1999).

As soon as the anti-reformist group began to expand its organised power, President Kim appointed Cha Heung Bong as the new Minister of Health and Welfare, on May 24 1999. He was not only one of the distinguished representatives of the NHI reformist side, but was also a former high-ranking civil servant in the ministry. Cha had both professional knowledge and administrative experience in the area of social policy. Cha was the first professional in Korean government who studied and held a doctoral degree in Social Policy. Ironically, he was one of the high-ranking officers in the ministry who was removed by the anti-reformist side in the government at the beginning of 1980s.[16] When the president appointed Minister Cha, the intention was to give an order to complete the medical insurance reform to the new minister. When Cha returned to the ministry, a critical institutional restructuring was expected inside the MoHW. Because, so far, the anti-reformists had heavily occupied the policy-making arena in the ministry, there were internal difficulties in pursuing strongly the reform in the ministry.

Among key anti-reformist officers in the MoHW, Kim Jong Dae, Assistant Minister for Planning and Management, continuously led anti-reform movements inside the government. In the process of appointing a vice-minister, Kim Jong Dae was removed from the nomination of candidates and was pressurised to resign from the ministry.[17] However, he continually refused to resign and distributed his own proposition to journalists in the press centre of the ministry. According to his own proposition, he emphasised that "since the NHI reform brings difficulties to the contribution imposing system and contribution collecting system, and, in addition, since it is difficult for government to increase the contribution rates at the proper timing, the NHI reform should be entirely reconsidered" (Kyung Hyang Shin Moon, June 16 1999; Han Kyo Reh, June 16 1999). Eventually, he was dismissed from the

---

[16] About this incident, see pp.118-119 in Chapter 4.

[17] Kim Jong Dae was already on the highest position in the ministry as a civil servant. There were only two positions remaining, that of vice-minister and minister, above the assistant minister's position. However, since the two seats are appointed by the president, it was normal procedure for him to voluntarily resign or move to a senior executive position of a sub-institution under government.

ministry (Joong Ang Il Bo, June 19 1999). This incident is an unusual case in Korean bureaucracy. It reflects the sensitivity with which the medical insurance reform was considered by anti-reformist policy-makers. Furthermore, the reform was closely aligned with their own political standpoint.

7.12 The General Election and Suspension of Reform

With six months remaining before the enforcement of the National Health Insurance Act, the government and the ruling party suddenly decided to suspend the unification of NHI financial systems for two years and submitted the revised bill to the National Assembly on July 12 1999. Thus, even though the three fragmented NHI administration systems (government and private school employees; employees in private sectors; the self-employed) were going to be integrated by January 1 2000, the current separate financial system continued to operate without a financial merger by January 1 2002 (Chosun Il Bo, July 13 1999; Han Kyo Reh, July 13 1999). This was because the anti-reformists exerted enormous pressure in relation to the underreporting of income to the government and the ruling party prior to the upcoming general election scheduled for April 2000. The strategy of the anti-reformist targeting of the wage earners and establishing of the anti-reformist umbrella organisation (the NCPS) provided a significantly negative impact on the government and the ruling party. The suspension of the radical reform announced by the government was a political retreat in response to the pressure from the growing anti-reform movement.

Meanwhile, the NCPS began its '10 million signature collection campaign' to reject the contribution payment for the NP and the NHI schemes on July 13. Park In Sang, leader of the FKTU and the NCPS, insisted upon: ① the separation of the national pension funding system between the wage earners and the local insured (the self-employed); ② the postponing of the implementation of the National Health Insurance Act for two years; and ③ the expansion of social insurance programmes to small business sectors hiring four or fewer employees. In regard to the revised bill of the ruling party, in particular, the NCPS maintained that "the NHI reform should be delayed in order to discover transparent data of the assets and income of the self-employed for at least two years, and a pilot programme should be performed to verify the efficacy of the new system before its implementation" (Dong A Il Bo, July

14 1999; Chosun Il Bo, July 14 1999).

On July 22 1999, eighteen civic groups, including the Citizens' Coalition for Economic Justice (CCEJ), the People's Solidarity for Participatory Democracy (PSPD), the Young Men's Christian Association (YMCA), and the Korean Confederation of Trade Unions (KCTU), urged the government to fulfil the radical reform as set out in the original schedule in January 2000 (Dong A Il Bo, July 23 1999). Thereafter, the representatives of the National Federation of Farmers Unions (NFFU), the KCTU and the PSPD met the party leader of the ruling NCNP, to protest against the party's decision (Chosun Il Bo, July 28 1999). In spite of the pressure from the reformist side, the cabinet passed the revised bill of the National Health Insurance Act on September 17, and the revised bill was delivered to the National Assembly (Dong A Il Bo, September 18 1999). Thereupon, the KCTU warned the government that (Han Kyo Reh, September 23 1999):

> If the reform is not implemented according to the original schedule, the KCTU will conduct a contribution-rejecting campaign. The implementation of the reform is delayed because of disturbance of the entrepreneur groups and some of the executives in the MoHW...The government's will to reform the socio-economic sectors has been disappearing prior to the general election.[18] If the government even tries to delay the NHI reform, the KCTU will fight against the current government in association with labourers and civic groups until the general election.

Meanwhile, the NCPS announced on September 25 1999 that the number of participants so far in the ten million signature collection campaign already exceeded five million within only two months. The NCPS said that "this outcome significantly reflects the public sentiment to oppose the reform so that if the government still forces the implementation of the reform, the NCPS will begin a nation-wide campaign to reject the contribution payment." Following this, the umbrella organisation delivered the five million signatures and petition to the National Assembly (Dong A Il Bo, September 25 1999). Under pressure from the anti-reformist side, the CoHW of the National Assembly held a general meeting to examine the revised bill of the National Health Insurance Act submitted by the government to suspend the reform of the NHI financial system through September

27 and 28. However, the CoHW failed to approve the bill because the opposition party did not agree to the revision. The GNP, the opposition party, argued that (Han Kyo Reh, September 28 1999):

> The party cannot accept the government's intention to suspend the financial unification of the fragmented NHI scheme before implementing the National Health Insurance Act. We cannot agree with the reason of suspending the reform because this suspension of the reform is intended to ease the mounting anti-sentiment of the wage earners against reform prior to the general election.

The reason that the opposition party did not co-operate in agreeing on the revised bill was merely to give political damage to the government and the ruling party in advance of the general election.

Just before the general meeting of the CoHW, the Solidarity for People's Health as a Right (SPHR),[19] [the new name of the former Conference for People's Solidarity for the Unification and Expansion of the Benefits of the NHI Scheme (CoPS)], had a press conference with the intention of putting pressure on the CoHW in the National Assembly (Han Kyo Reh, September 28). At the same time, the NCPS held its own meeting and pointed out that (Han Kyo Reh, September 28):

> The revised bill intends that the government and the ruling party admit to themselves the impossibility of the NHI reform. Thus, an attempt to unify the administration system of the NHI scheme should be simultaneously suspended along with the attempt to merge the financial system.

On October 9 1999, the government and the ruling party confirmed the suspension of unifying the fragmented management agencies of the NHI scheme for six months (newly scheduled for July 1 2000). In the meeting, Kim Jong Pil, Prime Minister, Cha Heung Bong, Minister of Health and Welfare, and Chiefs of Policy Committee from the NCNP and the ULD participated (Chosun Il Bo, October 11 1999). The executives from the government and the party also agreed once more to keep the separate financial structure of the NHI scheme between the wage earners and self-employed for two years (January 1 2002). Im Chae Jung, Chief of the

[18] The general election was planned for April 13 2000.

Policy Committee of the ruling NCNP, explained that this decision was caused by a delay in building the computer network system, insufficiency of income data of the self-employed and strong resistance from the FKTU and the NCPS (Dong A Il Bo, October 11 1999; Chosun Il Bo, October 11 1999).

Contrary to the government's decision, the SPHR announced in a statement on October 11 1999 that "this further delay, as a result of the incoming general election, signifies some concern and suspicion as to the political intention of the government to welfare reform". On the same date, in response, Minister Cha held a press conference and announced (Han Kyo Reh, October 12 1999):

> We have no choice but to delay the plan because the National Assembly failed to pass the revised bill by the end of September. The time frame does not allow us to introduce the unified NHI scheme by January 1 2000 as scheduled. And it was impossible to pursue administrative affairs for the reform because the Company Funding Societies Union had not been co-operative. Hence, the MoHW first requested the government to postpone the unification of management agencies of the NHI scheme.

On the other hand, the NCPS accused the new decision of the government that (Han Kyo Reh, October 12 1999):

> To delay the unification of the NHI administration system for six months is only a political strategy of the government to avoid political pressures caused by the general election. The reform should be delayed for at least two years until the income data of the self-employed are transparently revealed.

Meanwhile, the SPHR raised suspicion as to the number of signatures which the NCPS had received from anti-reform supporters on the street. The SPHR stressed that a large number of the signatures were fake and suggested investigation. Kim Hong Sin, National Assemblyman of the GNP and the CoHW, and Lee Sung Jae, National Assemblyman of the NCNP and the CoHW, were involved in the investigation. They announced that the number of real signatures was only about 2.9 million (Dong A Il Bo, November 17 1999). The FKTU, one of the member organisations in the NCPS, partially admitted the result of the investigation (Han

[19] The CoPS changed its title to the SPHR in July 1999.

Kyo Reh, November 20 1999). Lee Sung Jae, National Assemblyman of the ruling NCNP, insisted on November 23 that the real number of the signature is about 0.97 million. However, the NCPS strongly denied the outcome (Kyung Hyang Shin Moon, November 23 1999; Han Kyo Reh, November 23 1999).

As a result, the SPHR accused the NCPS and insisted upon the withdrawal from the six months suspension of the reform. Despite the result of the investigation, however, the CoHW passed the revised bill of the National Health Insurance Act on November 24, and it was finally passed in the plenary session of the National Assembly on December 7 2000. The revised reform bill indicated three stages for the completion of reform:

- The unification of the fragmented management system would be achieved on July 1 2000.
- The NHI financial system for government and private schools, and for private sectors would be integrated on January 1 2001.
- Two financial systems (private and local sectors) would be finally consolidated on January 1 2002.

7.13 International Pressures and the Social Policy of the Kim Dae Jung Government

In the course of receiving the emergency funds from the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) of the World Bank, two international funding organisations strongly recommended the restructuring of the social protection system of the country. The IMF and the World Bank focused substantially on the structural adjustment of financial, corporate, labour market and social safety net sectors. In particular, the World Bank recommended three main points to the government in regard to welfare (World Bank, March 1998: 9):

- Strengthening social protection for workers by extending the coverage of unemployment insurance and benefit schemes.
- Protecting 'pro-poor' expenditures in the budget to cushion the impact of adjustment on the poor, and improving the targeting of these expenditures.
- Strengthening the pension system, by securing income support for the needy

elderly, improving the transparency and efficiency of public pension fund management, and laying the foundation for a reform towards a privatised and funded pension system.

Based on the recommendation of the World Bank, the government agreed welfare policy measures with the World Bank, summarised below (Minister of Finance & Economy, October 1998: 27-30):

- Improve the framework for the design and co-ordination of social safety net policies: complete interim assessment report on the cost-effectiveness of integrating contributions to social risk management funds for pensions, medical insurance and unemployment insurance, including (a) collection mechanism; (b) contribution base determination; and (c) cross-checking features.
- Expand provision of 'workfare' for the unemployed who are not insured: implement an expanded temporary public works programme at wage levels designed to target the poor jobless.
- Improve efficiency of financial intermediation by public sector health insurers through reducing the unit costs of administration per insured under the national medical insurance system: implement a consolidation plan for insurance societies under the self-employed medical insurance.
- Strengthen supply-side incentives for efficient provision of medical care through a universal reform of the provider payment system to improve cost containment incentives based on Diagnosis Related Group (DRG)-based pricing.
- Improve demand-side protection against major financial risks for medical insurance system beneficiaries and for poor beneficiaries of medical aid programmes by reducing out-of-pocket co-payment: commitment to adopt the coinsurance reform plan for the medical insurance and medical aid programmes by 2000, including a significant reduction of the effective coinsurance rate for hospital inpatient care, adjustments to special treatment charges, inclusion of non-covered services, and reallocation of health insurance coverage from minor to major risks.

In the agreement between the Korean government and the World Bank, two distinctive features are found. First, the World Bank focused on stabilising the

financing of health care programmes through improving the management efficiency of the scheme. To improve the efficiency of the health care programme, the World Bank recommended the consolidation of insurance societies for the self-employed medical insurance and the introduction of the DRG system. Since both recommendations had been considered carefully by the Korean government, there was a coincidence with the World Bank. The Kim Dae Jung government had prepared a radical reform to unify all fragmented funding societies in the entire NHI system. In addition, as the DRG system was suggested by several special committees under the Kim Young Sam government, it had already been taken into a political consideration by the government.

Second, the World Bank introduced 'workfare' as an alternative measure for social protection. This approach intended that the government would not provide financial support for welfare of the people who were able to work, and would give restricted income assistance to welfare beneficiaries in order to gain economic efficiency. This idea of 'self-responsibility' in welfare was exactly the same as the welfare policy agenda of the Kim Young Sam government. Thus, it could be said that the economic crisis and the subsequent treatment by the World Bank contributed to strengthening and spreading neo-liberalism quickly in the country.

It is difficult to conclude that the recommendation of the World Bank influenced crucially the social policy agenda of the government because the proposal of the World Bank was not compulsory. But it was likely to provide a guideline for the government to deal appropriately with a growing number of social upsets under the harsh socio-economic conditions. It was a positive aspect that the policy guidelines of the World Bank urged the government to expand welfare provisions to the people at risk. However, the main policy recommendation of the World Bank was limited to partial reforms in stabilising the financing of welfare programmes rather than a universal reform in restructuring progressively the welfare provisional programmes of Korea.

Based on the policy guidelines of the World Bank, the government responded that it would basically follow the guidelines of the World Bank. However, it was unlikely that the measures of the World Bank influenced the decision of President Kim Dae Jung about the medical insurance reform. This was because he had held strong views on the reform for a long period of his political life

before the economic crisis and the World Bank's prescriptions, and the reforming plan had already been developed through sufficient dialogue between the opposition political institutions and civic groups over a long period. However, even though there was the negative aspect from the World Bank, that the international funding organisation spread the market mechanism in Korean social policy, the Kim Dae Jung government would have had no choice but to follow the neo-liberal style of guidelines in order to receive emergency funds from the World Bank.

In sum, the measures of the World Bank brought a positive and negative aspect in developing social policy in Korea (Cho, 1999: 17). On the positive side, the pressure of the World Bank on the government contributed to the expansion of welfare provisions on public assistance schemes as well as unemployment countermeasures. For health care policy, in particular, the recommendation of the World Bank for the coinsurance reform in the health care programme provided a significant message to the government in reducing the out-of-pocket co-payment of the insured. However, this efficiency-oriented policy of the World Bank was a prescription to solve the urgent problems existing in social policy without additional expenditure from the government to avoid a negative impact on the fragile economy under the economic crisis (Kim et al., 1998: 34). For its political priority upon the economic efficiency in welfare provision, the World Bank increased neo-liberal notions in the social policy-making arena.

7.14 The Limitation of the Kim Dae Jung Government

The new government accelerated the NHI reform in the political arena based on the agreement of the Tripartite Committee at the beginning. As President Kim appointed consecutively two experienced medical insurance reformists as the Minister of Health and Welfare (Kim Mo Im and Cha Heung Bong), the president showed to the policy-making institutions and to the public his political will to achieve reform.

Table 7-4 List of Ministers during the Reforming Period

Name	Career	Period
Kim Mo Im	President of Korean Nurses Association, Professor of Nursing Studies	5/1998-5/1999
Cha Heung Bong	Former Civil Servant of MoHSA, Professor of Social Policy	5/1999-8/2000

However, when the general election neared, his political will to reform (both health care policy and economic policy) became weakened because of political pressures. Evidence of this can be seen through the fact that although the ruling party prepared thirty proposals (including eight reform bills for the parliamentary sessions), none of them was dealt with in the parliament prior to the general election (Kyung Hyang Shin Moon, August 9 1999). The government and the ruling party suspended the implementation not only of the NHI reform but also of the Consolidated Taxation scheme for Banking Income (another controversial reform bill) prior to the general election.

In particular, in the mid-term of the Kim Dae Jung administration, the influence of the reformist side in the policy-making ground was relatively weakened in comparison to the early stage of the regime. This reflects that the political efforts behind the drive for reform were undermined inside the government in relation to the outset of the ruling period. Relatively conservative policy-makers could gradually expand their influences in the policy-making domain (where they had already dominated for a long time), maximising the bureaucratic environment and the general election campaign season. These circumstances simultaneously resulted in the weakening of the activities of civic groups in the reformist side.[20] Therefore, it became more difficult for the reformist side to carry on the reform.

7.15 The Limitation of the Parties and Their Politicians

In the National Assembly, both the ruling and opposition parties were constructively committed to the policy-making required for the reform. Although there was a

[20] Interview with Cho Kyoung Ae, Deputy-Director of the Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI scheme (CoPS) (1994 -1998), and currently Director of Solidarity for People's Health as Right (SPHR).

sizeable gap in dealing with the reform bill between the ruling and opposition sites, both sides exhibited co-operation to deliver a compromise reform bill which became the National Health Insurance Act in 1999. However, parliamentary members demonstrated a very passive political attitude in dealing with such a sensitive reform in advance of the general election. The opposition GNP, in particular, intentionally delayed the deliberation of the reform bill in order to inflict political damage on the ruling party prior to the general election. When the ruling NCNP submitted a revised reform bill in July 1999, the opposition party refused to review the bill. Following this, the opposition refused to open the special parliamentary session for two months in order to delay the deliberation of the revised reform bill. In September, moreover, the CoHW postponed the examination of the revised bill until mid-October because the petition of the five million signature collection campaign had arrived in the National Assembly.

Prior to the general election scheduled for April 13 2000, politicians and parties failed to show a consistent political agenda to voters. When the waged workers demonstrated their movements against the reform, the ruling and opposition parties hesitated to implement the reform, aware of the general election. Unlike previous cases, it was apparent at this time that the government had political intention to reform the scheme, but the parties and politicians were eager to suspend the reform until the completion of the general election, conscious of losing popularity from the waged earners.

7.16 Revealing Conflicts in the Institutions

7.16.1 Conflicts in the MoHW

Meanwhile, conflicts between the reformists and anti-reformists became apparent inside the MoHW in advance of implementing the reform. For almost two decades, as the anti-reformists had occupied a crucial executive position in the government, the reformists could not make their voice heard inside the government. When the National Medical Insurance Act was passed in December 1997, the MoHW immediately considered either use of the presidential veto or an alternative bill to the reform legislation. Because the opposition side in the ministry realised the difficulty in tackling implementation of the reform after the new government, they responded promptly with the ministerial opposition to the moderate reform bill enacted before

the presidential inauguration. When Cha Heung Bong was appointed as the Minister of Health and Welfare, the resistance of the opposition side peaked. This was a good example in revealing the tension inside the MoHW, that Kim Jong Dae (leader of the anti-reformists in the MoHW) clearly exposed his opposing views towards the minister. He provided a personal statement about the reform to the press and public which was a highly unusual occurrence in the cultural context of Korean bureaucracy.

7.16.2 Conflicts between Interest Groups

Civic groups committed more actively to the policy process during the Kim Dae Jung government than in any other period. In previous eras there was limited opportunity for civic groups to be involved directly in any policy-making process. However, the Kim Dae Jung government opened the 'closed doors' of the policy-making arena to civic and interest organisations through various channels so that they were able to be involved in the decision-making process. Moreover, governmental information was also released to the civic sector to facilitate better communications and mutual understanding between government and civic organisations. This was a significant development in terms of transparency of the policy process in Korea.[21]

However, with the underreporting of income of the self-employed, the anti-reformist side began to resist strongly the reform movement. When the anti-reformists established the NCPS in affiliation with the FKTU and the Company Funding Societies Union to tackle the implementation of the medical insurance reform, the battle developed into a serious confrontation between the SPHR and the NCPS, as well as between the KCTU and the FKTU. Since then, these three organisations (the Company Funding Societies Union, the NCPS and the FKTU) virtually took over the previous role of the National Federation of Medical Insurance (NFMI) and the Korea Employers' Federation (KEF), which previously led anti-NHI reform movement. At this time, the NFMI and the KEF played a limited role (as back-up support) towards these anti-reformist groups. As before, major press enterprises had supported the anti-reformists by frequently releasing reports about

[21] Interview with Kim, Vice-Chief of the Social Welfare Committee in People's Solidarity for Participatory Democracy (PSPD) and a technical expert for the BPPU.

the unilateral victimisation of the wage earners. This followed implementation of the reform to stimulate the anger of the waged workers in the private sector. Indeed, the most important characteristic of the anti-reform movement during this period was that these anti-reformist group members were collectively engaged in protecting their own self-interests more than in any other period. Facing the implementation of the NHI reform, the strategy of the anti-NHI reformists concentrated on winning over the wage earners in the private sector in association with the issue of a one-sided and unfair increase of contributions as well as the victimisation of the wage earners.

In particular, suspicion was raised by the reformist side during the policy process that a political deal was secretly agreed between the FKTU and the ruling party to suspend the implementation of the reform. This would be instead of recruiting Park In Sang, leader of the FKTU, as a party member for the incoming general election scheduled for April 2000. Consequently, Park joined the ruling NCNP and was elected as a National Assemblyman in the general election. Nevertheless, this incident resulted in the breaking up of political solidarity between two representatives of labour, the FKTU and the KCTU, which was formed by the effort of the Tripartite Committee under the national crisis. In addition, this case produced a worse scenario, meaning that the implementation of the reform was delayed.

Conclusion

During this period, a healthy atmosphere was created to reform radically the NHI scheme. Firstly, the popular sector began to demand a more advanced social protection system to deal with increasing social problems under the economic crisis. Secondly, along with the emergence of the Kim Dae Jung government, expectations of reforming socio-economic sectors were remarkably higher in Korean society. Under these circumstances, Kim Dae Jung was able to drive the medical insurance reform with less resistance to the radical reform inside the government compared to the previous governments. As a result, opposition policy makers and political institutions could not completely obstruct reform movement at this time. When the National Medical Insurance Act (the moderate reform bill) was legislated in 1997, the MoHW again attempted to abolish this law but failed to block the enforcement of the reform act, unlike the case of 1989.

Although the president's clear intention to reform the NHI scheme was one of the significant elements which made the reform possible, the popular sector played a crucial role in adding more pressure on the policy makers to pursue a radical reform. Under pressure, the new government and the Tripartite Committee agreed to reform radically the NHI scheme and legislated successfully for the radical reform bill. However, prior to the enforcement of the legislation and the incoming general election, anti-reformist groups exerted strong influence to interrupt the implementation of the reform. The FKTU broke the political consensus with the Tripartite Committee that agreed to reform the NHI scheme, and allied with the Company Funding Societies Union. This alliance produced a serious consequence that suspended the implementation of the radical reform.

Through the various events of the policy process at this stage, we can point out three aspects. First, the Kim Dae Jung government strongly accelerated the medical insurance reform, unlike the former governments. To legislate successfully for the radical reform bill, the new government maintained a consistent political argument regarding the reform based on the president's lead. Second, although the president had shown strong political intention to reform, the political will of the government and the political parties became weakened on account of the outside pressure prior to the general election. Lastly, during this period, the most significant event was the increasing participation and role of civic organisations in the policy

process. This occurrence contributed to enhancing the transparency of the policy-making process within the government and the National Assembly.

During this period, parties and politicians responded carefully to the interest of voters. Even though politicians and parties unanimously legislated for the radical reform Act, they delayed intentionally the implementation of the reform to avoid a negative impact on the upcoming election when the resistance of the waged workers was mobilised.

During this period, it is most significant that there were more corporatist elements in the policy-making process. Under the economic crisis, the new government desperately needed the political co-operation of labourers and entrepreneurs to work out growing social and economic concerns in the country. Therefore, crucial social and economic policy decisions were made through dialogue among three major economic key players on the negotiation table in the Tripartite Committee. As decision-making was available under a consensus among three parties, the typically strong leadership of government in policy-making process became undermined. This became a new paradigm for the policy-making structure in Korea.

The range of participants in the policy-making process became greater than in previous periods. The reformist and anti-reformist groups expanded their membership. At this stage, the anti-reformist side rapidly enhanced its political influence by mobilising its membership through its newly established umbrella organisation. The degree of competition between two sides of interest groups was higher at this period than at the previous time. This major level of involvement of the civic and interest groups in the policy process made the policy-making institutions less able to take unilateral political stances during the policy process. In addition, the growing influence of civic and interest groups resulted in undermining the power of a certain elite bureaucratic or governmental agency in the policy-making arena. Therefore, the corporatist policy-making style and the participation of a wider range of interest groups in the policy process contributed to diffusing concentrated political power within a certain elite and political group to broader social sectors.

CHAPTER 8. CONCLUSION

We have seen so far the way the Korean national health insurance has been introduced and developed over the previous forty years. Throughout its development, we have also observed the diverse range of actors that became involved in the policy-making process. While the coverage of the Korean medical insurance has rapidly developed from a selected occupational group to the entire population in twelve years (1977-1989), the policy process for NHI reform has been implemented slowly (1980-2000) because of competition between the political and bureaucratic interests of the participating actors in the policy-making arena.

This chapter summarises the answers to the research questions and the theories introduced in Chapter 1 and Chapter 2. In addition, the role of the state and the participating actors in association with the development of the NHI scheme is discussed. The ideological conflicts between the reformist and anti-reformist groups, which have essentially contributed to the development of the Korean NHI scheme in particular (and the health care policy in general) are examined. Finally, the role of the Korean government in health care policy is discussed in this chapter.

8.1 Three Major Actors in the NHI Policy-Making Process

We have analysed the policy-making process of the NHI scheme on the basis of the responses of the three key actors: the executive (the government), the legislature (the National Assembly), and the interest groups. Their roles and their degree of participation in NHI policy-making have varied depending on the socio-political environments. In this section, these actors and their fundamental roles and aims during the policy-making process are the centre of attention.

8.1.1 The Executive: the Government

In general, there are two points in explaining the health care policy of the Korean government. First, there has been a common political view in the policy-making process throughout varying governments that the government should have a minimum role and responsibility in providing the health care programme. Whenever this political principle was threatened by outside actors, the government

responded to protect its role of a marginal social policy provider from external pressures. During the Chun regime (1980-1988), the Presidential Secretariat Office took the preventive role in the front line of the policy process. After that, the anti-reformist bureaucrats within the government performed the same role. The role of Korean government in the health care policy in relation to the welfare typology is discussed further in a later section.

Second, the governments' objectives in NHI policy-making have varied according to the perspectives and priorities of each president. Whereas the Park regime (1961-1979) mainly used the NHI scheme to protect its legitimacy, the expansion of the NHI scheme during the Chun regime was likely to maintain the ruling power by gaining the victory through the forthcoming presidential and general elections. The reform of the NHI scheme during the Kim Dae Jung government (1998-2003) was a result of his strong political will combined with the economic crisis. These intentions for the NHI scheme were decided by each leader's political view.

Unlike the previous three governments, the Roh Tae Woo (1988-1993) and Kim Young Sam (1993-1998) governments did not have clear aims regarding the development of the NHI scheme. Although the NHI scheme for the entire population was implemented during the Roh government, it was not an achievement of President Roh but was already planned by the Chun government. Even though the Kim Young Sam government established several special advisory bodies dealing with the health care reform within the government, its objective was merely to undermine the emerging complaints from the farmers and fishermen. These arose when domestic agricultural markets were opened to foreign competitors. There was no political vision or will to develop the medical insurance in either government.

The key actors who participated in the policy-making process within the government were the president, ministers and civil servants in the Minister of Health and Social Affairs (later Ministry of Health and Welfare), the Presidential Secretariat Office, and the Economic Planning Board. First, the most significant NHI policy-making had been dependent on the president's leadership in each government and the individual interest of the leader in the medical insurance. It can be said that there is a relationship between the degree of leadership and the individual interest of a president, because a strong interest of a president in the NHI

scheme has usually brought a strong degree of leadership in driving the NHI policy. The president was a key decision-maker not only for the initiative of the health care policy but also for the implementation of the policy.

Two presidents (Park Chung Hee and Chun Doo Hwan) in the authoritarian regimes exerted a stronger leadership and possessed individually more political interest in the medical insurance (although the purpose of implementing the medical insurance was different) than the later two presidents (Roh Tae Woo and Kim Young Sam) in the civilian governments. Hence, their unique style of leadership made it possible for the Park and Chun regimes to achieve rapid development of the NHI scheme in such a short time without serious interference from outside actors in the policy process.

The democratising process weakened the typically strong leadership of the president in the government because the political influences of other actors (outside and inside the government) became relatively stronger. Thus, the interference of other actors increased, making it more difficult for the government to bring a strong leadership into the policy-making process. For instance, although President Kim Dae Jung and his government had a strong political intention to reform the NHI scheme, they could not easily drive their policy agenda.

Second, since power was heavily concentrated in the president under the authoritarian style of leadership, the Presidential Secretariat Office also gained strong power in the policy process during the Park and Chun regimes. Although the secretariat offices in both regimes held strong power, the secretariat office of President Chun especially exerted a crucial influence in the NHI policy-making process. This was because President Chun relied on a few presidential secretariats regarding the medical insurance policy, and the interest of those secretariats was transferred to the decision of the president. Two anti-reformist civil servants of the Ministry of Health and Social Affairs, Youn Sung Tae and Kim Jong Dae, took a significant role in opposing the reform inside the Presidential Secretariat Office when they worked as presidential secretariats in the office. Generally, President Chun enjoyed receiving briefings from non-presidential secretariats, such as ministers and civil servants who worked in the front line (Rhee, 2000: 56), and encouraged them in order to avoid the excessive interference of the Presidential

Secretariat Office which had occurred during the Park regime.[1] However, the policy process of the NHI was an exception. Hence, whenever the NHI reform became a hot issue in the policy-making arena, the Presidential Secretariat Office was directly involved in the policy process during the Chun regime.

Third, as a department taking charge of the health care programme, the MoHSA/MoHW was the most important organ among governmental agencies in the policy-making process. The ministerial decision was often influenced by a certain minister or a certain group of high-ranking civil servants. During the beginning of the 1980s, Minister Cheon initiated the NHI reform with his personal interest in the ministry. Consequently, the civil servants were divided into reformist and anti-reformist sides inside the ministry. The competition between the two groups caused the serious consequence of the expulsion of some reformist civil servants from the ministry.

From that time, the anti-reformist group occupied the ministry and formed a strong bond with anti-reformist groups outside the government, such as the medical insurance agencies and the entrepreneurs. With the appointments of two conservatives (Rhee Hai Won and Moon Tae Joon) as Ministers of Health and Social Affairs, the anti-reformist civil servants were able to expand their influence in the ministry. However, when President Kim Dae Jung appointed Cha Heung Bong, who was a strong reformist, to the Ministry of Health and Welfare in order to operate the radical reform, the influence of the anti-reformist civil servants weakened in the policy process.

Fourth, from the initial implementation to the expansion of the NHI scheme to the entire population, the Economic Planning Board (EPB) was an influential organ in designing the administrative shape of the NHI scheme. As this department was concerned with the governmental treasury and the economic development of the country, the position of its ministry and minister were the highest amongst other ministries and ministerial posts. As the Minister of EPB also held the position of deputy prime minister, its influence in the policy process was significantly high in the government.

The primary interest of the EPB was how to set up the most efficient

[1] This fact is also confirmed from the interview with former Health and Social Affairs Minister Cheon.

administration model for the NHI scheme in maintaining the steady economic growth of the country. In the battle between the reformists and the anti-reformists, thus, the EPB's concern was to take the more efficient system between two options (a unified or separate administration system). Once the decision was made by the EPB, it was directly reflected in the decision-making process because of its strong power in the bureaucracy.

8.1.2 The Legislature: the Political Parties and Politicians

Firstly, the role of the National Assembly (including political parties and their politicians) was passive and limited as a lawmaker in the policy-making process of the NHI scheme during all these periods. During the Park regime, the National Assembly was almost neglected in the NHI policy-making. The parliamentary role at the moment was merely to deliberate the legislation of the medical insurance programme which was already made and decided in the government. When the reform was attempted during the 1980s, the involvement of the parties and politicians gradually increased in the policy-making arena. Through the democratising process, furthermore, the original role of the National Assembly as a legislature was gradually restored in the political arena. But the members' growing commitment was a passive response to the political pressures from external actors rather than a spontaneous involvement of their own in the policy-process. This attitude of the parliamentary members continued until the 1997 presidential election. For example, although two major elections (the presidential and general elections) were scheduled in 1992, there was no evidence that political parties and politicians engaged in the NHI policy process prior to the election seasons. When the external pressure on the National Assembly was lessened along with a recession of the activity of the reformist-civic organisations, the interest of parliamentary members in the reform also disappeared. But when the civic organisations regained their political leadership in 1994, the parliamentary members resumed their involvement in the NHI reform process.

Secondly, unlike among the interest groups, the political competition on the NHI policy between parties was weak. For the political parties (both ruling and opposition parties) and their fellow politicians, the NHI reform was an opportunity

to gain political popularity from the voters, especially in rural constituencies, therefore they supported the reform without serious conflicts in the National Assembly. During the 1980s, while the government opposed the reform, the parliamentary members passed the reform Act through unanimous support without serious competition among them. In the policy-making process of the 1999 radical reform bill, a similar situation occurred in the National Assembly. There was no serious conflict or competition between parties or politicians to insert their concrete views of national health policy into the medical insurance bills.

Thirdly, because of the weak competition amongst parties in the National Assembly, political philosophies and policy directions of the parties regarding the health care policy were also weak. Without clear principles of the NHI scheme, most parties could not have created the legislation for the NHI reform based on their logical views. Thus, their political arguments were often inconsistent, and they instead relied on the ideas of the interest and pressure groups to set up the party proposals for the NHI policy. For example, during the 1989 reform process, while two opposition parties (the Party for Peace and Democracy, and the Reunification and Democratic Party) were significantly influenced by a reformist-civic organisation (the National Committee for Countermeasures for Medical Insurance), the Korean Medical Association influenced the bills of the ruling Democratic Justice Party and the opposition New Democratic Republican Party. Compared to other parties, the party led by Kim Dae Jung had maintained a relatively consistent political agenda on the NHI reform until 1997 when the party became the ruling party.

8.1.3 The Interest groups

The emergence of interest groups in the policy process of the NHI scheme was one of the most significant outcomes caused by the democratisation of the country. The interest groups carried out the role of the idea-providers as well as of political pressure groups. They sometimes surpassed the political parties in creating the policy ideas for the medical insurance development. Unlike the political parties, their involvement was voluntary and consistent in the policy-making process.

Interest group involvement in the NHI policy process can be categorised into three kinds: the reformist, the anti-reformist, and the pure interest groups. Whereas

the reformist group consisted of progressive medical professionals and academics, farmers' organisations, civic groups and a progressive labour organisation, the anti-reformist side contained conservative academics, entrepreneurs' organisations, media enterprises and a conservative labour organisation. The pure interest group included a professional organisation, such as the Korean Medical Association (KMA), which concentrated on the protection of the professional status of the members from outside impact. During the authoritarian regimes, their activities were not allowed in the policy-making arena. Only a restricted number of professionals and academics could access the policy-making ground. Since the democratic movement in 1987, however, a broader range of interest groups was engaged with, and their political influence escalated in the policy-making process.

All of them carried particular strategies for the purpose of spreading their demands to the policy-makers and the policy-making institutions, especially targeting the election campaign seasons. Their growing political influence threatened the political institutions. In particular, when the reformist and the anti-reformist groups established their own umbrella organisations, their influence increased significantly in the policy-making arena.

Second, their objectives varied according to their political perspectives. While the reformist groups concentrated on reforming the separate administration system of the NHI scheme, the anti-reformist side tried to protect the separate system from the reformists' challenge of the status quo. The details of the political efforts between the aforementioned two interest groups are discussed later in this chapter. On the other hand, the KMA focused on protecting the professional and economic autonomy of doctors from the political intervention of the government in the health care market. Their demands of the medical insurance were to defend the privileges and to improve the status of doctors.

In sum, with the democratisation of the country, interest groups became an influential participant in the policy-making process of the NHI scheme. Unlike among the political parties, as the competitions on the NHI policy-making between interest groups (especially, between reformist and anti-reformist groups) were strong, their responses to the socio-political transformations had been prompt. On the basis of their clear political philosophies and consistent political views on the NHI scheme, the interest groups maintained steady positions regarding their role and

objectives in the policy-process. All interest groups put their demands on the policy-makers and the policy-making institutions at the crucial times of political events, such as elections. Their continuous pressure on the government weakened the strong leadership of the president and the governmental institutions. Hence, the involvement of the interest groups contributed to restructuring the policy-making style of the country.

8.2 Theoretical Applications

It is worthwhile to scrutinise how well the Western-born theories can explain the policy-development of the Korean NHI scheme. This section is divided into two parts: the first part demonstrates how the theories of power are applied to four developmental stages of the NHI policy introduced in Chapter 2, and the second part examines welfare development theories in relation to the NHI development of Korea.

8.2.1 The Application of Power to the Policy-Making Process

The policy process of the NHI scheme can be discussed according to four major stages. The first stage includes the initial steps in building a national health care policy in the country and the implementation of the NHI scheme during the Park regime. The second stage covers the initial reform movement that occurred in 1980 inside the government. The third stage concerns the relationship between the country's socio-political transformation and the NHI reform. In particular, the democratic movement that occurred in the end of 1980s and the emergence of the first civilian government in the beginning of the 1990s are the locus of the analysis. And, the final stage consists of the policy process of the radical NHI reform under the economic crisis at the end of the 1990s.

A. Stage One (1960s-1970s)

First of all, strong elitism can be said to be present within this stage. Immediately following the military coup, political power was strongly concentrated in the military junta. The military junta dominated the role of policy-making, and the military elites were the main actors in the junta, with some assistance from technical experts in social policy-making. Most significant decisions were made within the

closed political domain. General Park, the leader of the junta, was a key figure. After he was elected president, his ruling style differed little from his style as a junta leader. He had almost absolute power in decision-making. Only several elite-executives in a certain institution of the government were involved in the decision-making process. Therefore, only the interests of those particular actors were heavily reflected in the policy-outcomes. This was especially the case, as power of the economic institutions [such as the Economic Planning Board (EPB)] in the government was extremely strong under the economic development policy of the regime. Therefore, the interests of economic elites in the institutions were always a political priority (Chung, 1992a: 236). Consequently, the matter of welfare was behind the economic development, and even the welfare policy issues were significantly influenced by these economic elites.

Secondly, authoritarian-state corporatism is eminent. According to Collier and Collier (1979), 'inducements' and 'constraints' may lead to state penetration and domination of labour organisation under a corporatist state. This phenomenon is well demonstrated not only in the case of labour interests but also in the case of medical and entrepreneur organisations during this period. President Park's regime strongly constrained its collective actions and maintained controlled leadership, in particular by suppressing labourers. To control labour, President Park gave an inducement to labour whereby the Federation of Korean Trade Unions (FKTU) was admitted as a monopoly representation of the trade unions. Even though it was a marginal inducement for a confined number of labourers, the Park government gave medical benefits to employees in private sectors by implementing the NHI scheme. In addition, the regime provided plenty of inducements to the entrepreneur for the purpose of rapid economic development and a successful launch of the first medical insurance programme. The government granted to the Federation of Korean Industry (FKI) managerial authority of the medical insurance for company employees. For the same reason, the government accepted the Korean Medical Association (KMA) as a political partner in dealing with the health care programme. Although the FKI and the KMA gained political partnership with the authoritarian regime, their input in the NHI policy process was very limited and closely monitored under the authoritarian environment.

Thirdly, the policy process of the NHI scheme was also influenced by the

general political atmosphere of the authoritarian regime. The initiative of the medical insurance legislation started from the leader's hand, and the interests of the leader and a certain political institution were key concerns during the policy-making process.

Lastly and most importantly, the primary motivation for the implementation of the NHI scheme was to strengthen the legitimacy of the authoritarian-military regime. As the design of the health care programme was derived from such a political reason, the NHI scheme was initially introduced for a restricted section of the workforce with exclusion of the people at risk.

B. Stage Two (1980-1983)

Whereas the role of elites in the government and the state-corporatist approach to certain groups were crucial elements for the successful launch of the NHI scheme at stage one, this stage demonstrates the development of the NHI scheme.

During this period (similar to the Park regime), an authoritarian regime dominated the policy-making domain. However, in comparison to the Park regime, more institutions were relatively involved in the policy-making in the government. When the NHI reform was initially attempted inside the Ministry of Health and Social Affairs (MoHSA), bureaucratic elites in the ministry were divided into two groups, reformist and anti-reformist, and these two groups gradually expanded their influence to the National Assembly. This particular conflict between the two different elite groups can be explained by Parsons' argument regarding the elitist approach, that of a struggle between different 'skill groups' (including 'technocrats' and 'bureaucrats' who possess specialist skills and knowledge) (Parsons, 1995: 250).

There are two distinctive aspects regarding the NHI reform in this stage: first, the reform movement was introduced by the personal view and decision of Health and Social Affairs Minister Cheon in 1980; second, although the minister, some high-ranking civil servants and politicians called for the reform of the NHI, it was denied because the Presidential Secretariat Office held opposing political views in regard to the reform. The president still exerted the strongest power in regard to decision-making. As in the Park regime, the political power was heavily concentrated on the president. However, the Presidential Secretariat Office gained power and became a strong influence in the policy-making of the medical insurance

during the Chun regime. Its ideas regarding any policy decision-making significantly affected the determination of the president (Chung, 1992b: 237). Unlike during the Park regime, however, the Presidential Secretariat Office was deeply involved in the NHI policy-making process during the Chun regime.

Compared to the Park regime, the power of the leader (the president) at the policy-decision stage was probably less absolute. But the president still held a definite key position when it came to a final decision. Once the decision was made, there was no room to appeal the decision of the leader. For example, since President Chun showed opposition to the NHI reform in the meeting with Health and Social Affairs Minister Kim, parliamentary members and his secretariats in November 1982, the discussion of the reform was not allowed in the government.

The number of policy makers and institutions engaged in this policy-making process increased. Four elite groups – civil servants, politicians, presidential secretariats and a small number of social policy experts – emerged in the policy process. In addition, the number of participating institutions (the government, the National Assembly and the Presidential Secretariat Office) increased. However, this does not mean that the degree of power distribution was improved within the policy-making arena. The accessibility of policy makers and political institutions in the actual policy-making were still confined under the authoritarian regime.

C. Stage Three (1986-1990 & 1990-1997)

After President Chun's decision to suspend plans for NHI reform in the end of 1982, any political action and discussion for reform were not allowed inside government until 1986 when President Chun announced his plan to expand coverage of the NHI to the entire population.

With democratic movements in the country during this period, two significant elements arose: the 'coalition of farmers and fishermen,' and the 'uprising of labour movements.' These two events arising under the democratising process exerted a vital influence on the policy-making process of the NHI development.

From the end of the 1980s, the farmers and fishermen started to mobilise their power to protest against their unfair contribution and the uneven level of benefits provided by the NHI scheme in comparison to those of employees in urban

areas. When the coalition of farmers was assembled with the reformist-professional groups, their pressure on the NHI reform became enormously influential. The participation of trade unions in the reform movement also doubled their organisational power during the early and mid-1990s.

In this period, reformist and anti-reformist groups clearly revealed themselves. Academic scholars, medical professionals and the entrepreneurs formed representative bodies to advocate their ideology on the NHI development and actively engaged in the policy-making process. When the government announced the expansion of the medical insurance to the farmers and fishermen, and further to the self-employed in the urban areas, the KMA geared up to spread its demands to the political institutions. The politicians in political parties vigorously debated about the reform in the National Assembly, and they fulfilled their duties as lawmakers during this time. Most of all, bureaucratic elites in the MoHSA and the EPB crucially exercised their political power in the policy-making. The democratising process in the country resulted in undermining the extent of power of the president and the Presidential Secretariat Office, and the role of elite-bureaucrats in other governmental institutions relatively increased, which in effect replaced the strong positions of the president and his secretariats in the policy-process of the NHI scheme. This phenomenon shows that the range of the elitism became broader in the scene of policy-making.

The participation of social actors in policy-making became greater in comparison to that of the previous stages. In consequence, the authoritarian-bureaucratic governing style was undermined in the decision-making arena. It was evident that President Roh used a veto over the legislated NHI reform Act of 1987. This was because the power of the president was not as strong as that of President Park or Chun, and if his power had been strong enough, the reform bill would not even have been submitted to the National Assembly. During this period, the policy-making influence gradually dispersed to social actors outside the bureaucracy, and the power concentration in a specific political institution was consequently undermined. As a result, the intensifying influence of civic organisations and pressure groups in the policy-making market likely gave pressure to politicians and their parties. As pluralists insist, this engagement between the pressure groups and politicians was attributed to the concerns of the parties and their politicians in

relation to the outcomes of elections (Ham & Hill, 1984: 26-27).

Moreover, the development of 'citizenship' was an important factor in developing the NHI scheme. The emergence of the farmers' coalition and trade unions in the medical insurance reform was able to threaten the ruling authority. The policy makers within the government faced difficulties in making a unilateral policy decision within a confined and closed institutional field. As mentioned earlier, the National Assembly had restored its actual role as a lawmaking authority, and the politicians had simultaneously received heavy pressure from civic and interest groups over the NHI reform. In association with this political transformation, political parties and politicians whose constituency was especially in rural areas became conscious of the voters. Therefore, being aware of social constraints, the government too established many special committees to demonstrate its efforts in dealing with health care policy. This picture shows us a crucial sign in developing citizenship in terms of achieving political rights and demanding social rights (in particular 'the right to health') from social elements to bureaucratic authority during the democratising process. It is further significant evidence that the power concentration became more decentralised, and power began to be distributed more widely, albeit slowly, in the policy-making domain as well as in the society.

D. Stage Four (1998-2000)

There are two significant reasons that this stage should be considered separate from the previous stage. Firstly, a new political paradigm was introduced in policy-making process by the new Kim Dae Jung government under the economic crisis. Secondly, the radical reform of the NHI scheme was introduced and successfully legislated in the policy-making arena in only two years.

To cope with the social and economic turmoil, the government established the Tripartite Committee to draw the labour, entrepreneur and government sectors to the bargaining table. This was the first time in Korean history that a government had formally established a partnership with the trade unions. The aim of the partnership was to overcome the social crisis and to restructure the economy. As Young (1990) points out, the establishment of a 'tripartite' system provides strong evidence of a corporatist approach (p.73). The corporatism was clearly evident in Korean economic and social policies, particularly as the government's involvement

became more direct and it became more willing to bargain with a wider range of interest groups during this period [as Hill (1997: 66) points out].

The number of interest groups and their degree of involvement in policy-making became greater than at stage three. The government seemed open to considering the demands of interest groups. The KMA was able to discuss its demands with policy-making institutions whenever NHI reform was on the political agenda, and the majority of the KMA's demands met with success. On the other hand, the anti-reformist groups established an umbrella organisation to influence the medical insurance reforms. From that time, these reformist and anti-reformist umbrella organisations competed politically to influence the policy process of the NHI reform. The degree of pluralism and of competition amongst interest groups at this stage was higher than at the previous stage.

During this period, political parties and the government became more conscious of the voters prior to the general election campaign. Despite the fact that the NHI reform legislation had the unanimous support of the ruling party and opposition parties, the ruling party and the government reached an agreement to postpone radical reform of the NHI scheme until after the general election. This was because politicians feared that resistance to the reform from white-collar workers would threaten the outcome of the forthcoming general election. The anti-reformist organisations continued to protect their privileges from the medical insurance reform, despite efforts from the reformists to achieve the right to health care under the government's health policy. The more the opposing reformists and anti-reformists engaged in the policy-process, the more energy politicians and their parties put into calculating the benefits they could reap from the reform. It is pertinent to point out at this stage, that, unlike in other stages, a stronger degree of citizenship was starting to develop.

In sum, alongside the development of democratisation, the participants in the policy process became more diverse than at any other stages. Meanwhile, in the face of economic crisis, the government concentrated on establishing social partnerships with the trade union and business sectors in order to achieve social stability and to reach a consensus in emergency economic and social policy measures. Subsequently, the distribution of political power diffused from an elite group and particular political institutions. In particular, as the Kim Dae Jung

government opened up the policy-making process to the public, the degree of power concentrated within a defined section significantly decreased.

8.3 Explaining the NHI Development: the Wake of Industrialisation and Democracy, and Welfare Development

In relation to the introduction of the medical insurance programme in the 1960s and its implementation in the 1970s, there is a limit to how the aforesaid events can be explained by the 'logic of industrialisation.' Although Korea's rapid economic growth during this period is an important factor when considering the country's welfare development (as perceived by functionalists), the introduction of the Korean medical insurance was more closely associated with the political strategy of the leader.

As many Korean social scientists insist (Kwon, 1999; Chung, 1993; Kwon, 1989), a medical insurance programme was introduced in Korea during the 1960s purely for political purposes; that is to preserve the authoritarian system of, and to strengthen support for, the ruling regime established by a military coup. The 1976 implementation of medical insurance in Korea is similar to that introduced by Bismarck in Germany at the end of the nineteenth century. Whereas Bismarck's introduction of social insurance programmes strengthened the authority of the regime, it also undermined the mounting political coalition under industrialisation between the working class and the Social Democrats (Ritter, 1986: 49-51). President Park faced possible threats from the public in the 1970s for two reasons. Firstly, the introduction of martial law – *Yushin* – in 1972 enormously enhanced the authoritarian leadership of President Park, but began to significantly undermine the legitimacy of the regime. Secondly, the rapid emergence of the working class, due to rapid industrialisation, became a growing concern for the regime. Thus, as a means of strengthening the president's power, President Park decided to give a gift of medical insurance to employees in the private sector, and as a result, the health care programme rapidly expanded in the number of beneficiaries in the industrial sector.

Secondly, in regard to the expansion of the NHI scheme in the 1980s, the 'logic of industrialisation' provides a partial explanation, in that, the rapid economic growth made it possible for the Korean government to rapidly develop the NHI

scheme because of the improved financial situation of the government and of the citizens. Unlike during the Park regime, there is not sufficient evidence that the expansion of medical insurance during the 1980s was associated with strengthening the legitimacy of the Chun or the Roh governments. The expansion of the NHI scheme in 1987 and again in 1989 can probably be accounted for by the 1987 presidential election and the 1988 general election; the political strategy of the ruling regime was to win the forthcoming elections by holding out carrots to the voters.

Thirdly, a distinctive feature is evident in the development of the NHI scheme during the 1980s and the 1990s: the *emergence of the farmers' coalition* and the *trade unions*. These two groups became the most significant key players outside the bureaucracy in developing health care policy during the aforesaid periods. Since the democratic movement of 1987, these two groups had strengthened their influence in association with other civic and professional groups, and established an umbrella organisation to advocate NHI reform as well as to exercise collective power over the policy-makers. Marxist and working class mobilisation theories may explain the policy process of NHI reform with respect to the activity of these two classes. Both theoretical perspectives agree that class-conflicts occur during the process of capital accumulation, and that welfare development is a by-product created by ongoing conflicts between different classes in a capitalist society (George & Wilding, 1994: 103; Korpi, 1983: 39). These two working class groups – farmers and labourers who had been exploited and excluded from the ruling authoritarian regimes – increasingly began to push welfare demands as democracy spread. Their demands focused on achieving the right to health care and receiving adequate services through NHI reform. Their collective interests and activities during the reform movement contributed, not only to advancing democracy in Korea, but also to accelerating the development of Korean health care policy.

Finally, the development of citizenship is an important by-product of the socio-political transformation of the country. While political power was distributed to a broader range of groups within society, the political potential of citizens was increased. The growing political power of citizens converged around the activities of civic groups, and the civic groups began to demand the development of health care policy through NHI reform. It was a struggle for the citizens to acquire their rights to health care from the government.

8.4 Ideological Battle between the Reformists and the Anti-Reformists

An overall explanation regarding the seriousness of the competition between actors during the development of the NHI scheme was implicit in the ideological struggle between the reformist and anti-reformist sides. When legislation for the medical insurance programme was introduced in the 1960s and 1970s, the policy makers merely adopted a framework from foreign medical insurance programmes – especially the Japanese programme – without a constructive discussion about guiding principles or a clear vision of health care policy. As the government imported the framework from the Japanese medical insurance model, which was based on the separatist approach, without a careful filtering process, the question was raised by a specialist group as to whether the separate medical insurance system could adequately perform the role of a welfare programme. Thus, the kernel of the debate between the two sides focused on whether there should be separate administrative systems under the NHI scheme. When the separatist group engaged in the debate for the NHI reform to preserve the current system, the conflicts between two sides became deepened.

The reformists wished to unify the separate systems into one state-run administrative body, while the anti-reformist wanted to preserve this separate administration system. To accomplish the reform, progressive academic and medical professionals, farmers organisations, progressive trade unions, and civic groups gathered round the reformist side. On the other hand, the anti-reformist side consisted of conservative academic and labour groups as well as the entrepreneurs' organisations and the media-enterprises to protect their privileges from the current separate NHI system. Under a separatist system, a large number of funding societies would manage the beneficiary groups categorised by occupation, locality and so on, and the financing and management would be controlled by each funding society. The requirements of medical insurance eventually diverged from the financial capability of funding societies.

We need to further examine what both groups have tried to deliver for two decades through the policy process of the NHI scheme. Simply, it was an ideological battle between *universalism* and *selectivism*. The reformists attempted to

insert the principle of universalism into the health care policy while the anti-reformists preserved their selectivist approach. First of all, whereas the reformists emphasised *equity* and *social solidarity,* the anti-reformists put more emphasis on *efficiency,* regardless of *social stratification.* According to the reformists' argument, as the effects of risk-pooling and redistribution were confined within each funding society under the separate system, this went against the principle of a social security system. Thus, the separate system ignored the importance of equity and social integration, and *stigma* was built into the national medical insurance programme by the separate funding systems organised by occupation and locality. Hence, the reformists insisted on integrating the Medical Aid scheme (a public assistance programme for those on low-incomes) into the NHI scheme because the scheme stigmatised those on low-incomes. Meanwhile, according to the anti-reformists, financial and administrative efficiency was a crucial element for the success of the NHI scheme, despite the existence of class divisions. In addition, they stressed that since vertical income redistribution would be impossible within the mechanism of a social insurance system, the reform to unify the separate systems would increase financial risks without achieving greater redistribution because the reform might undermine the financial security of the medical insurance system.

Secondly, as Pinker (1971: 99-100) argues, the reformists attempted to adopt an *institutional* mode for the administrative system, unlike the anti-reformists, whose preference was a *residual* approach. The reformists supported state intervention in health care policy, and believed that social inclusion would be achieved by the NHI scheme if it were administered by a state-run organisation. However, the anti-reformists opposed the institutional approach because they were confident that state-oriented administration would result in inflexibility and inefficiency due to the bureaucratisation of NHI management. Separatists also understood that a residual approach to the national medical insurance programme was key to maximising efficiency and minimising wasted resources. Thus, the anti-reformists were likely to employ market forces to the management of the NHI scheme. In the same way, the anti-reformists proposed a strategy of market competition between funding societies to increase efficiency within the system.

In sum, the universalist perspective of the reformists brought about the first reform debate within government at the beginning of the 1980s. With the

emergence of the anti-reformists, these two parties engaged in debate over the development of the NHI scheme. Through ongoing debates for twenty years, the political and theoretical principles of Korean social policy were developed in government and in other political institutions. This ideological development also spread to other divisions of social policy. In addition, the increasing interest in welfare encouraged the public to realise that they had not received adequate benefits from the medical insurance in comparison to their contributions to the scheme. As a result, this provoked the farmers and fishermen to become involved with NHI policy-making, and the popular sector began to demand more governmental responsibility for health care policy to achieve their right to health care.

8.5 Classifying the Role of the Korean Government in NHI Development

Over the last forty years, Korea has struggled to achieve a democratic political system and to become a welfare state. With regard to the series of the developmental stages of the health care policy, Korean NHI development can be described as a challenge of the *social democratic* approach to a mixed welfare state with *conservative* and *liberal* ideologies.

Esping-Andersen (1990) classifies welfare states into three types: liberal, conservative and social democratic-type regimes. In the conservative welfare regime, there is the preservation of differentials. Redistribution of resources is negligible. And the state only plays a minimum role as a subsidiary breadwinner when the family's earning capacity is diminished. Under the liberal welfare state, welfare is marginal. Thus, entitlement rules are strict, and the range of benefits is modest. In this type of welfare state, the state encourages the market and guarantees minimum welfare provision. Finally, the social democratic welfare state focuses on equality based on the adoption of 'universalism' and 'de-commodification of social rights' (pp.26-27).

It has similar characteristics to conservative welfare. The NHI scheme was initially introduced for a few privileged classes, and their funds were managed by separate funding societies organised by occupation. Therefore, redistribution was between similar economic classes within each funding society. In particular, the government only performed a minimum role as a health care programme provider.

From the planning through to the implementation of the NHI scheme, the government followed two predominant principles – 'the minimisation of government responsibility' and 'the primary responsibility of welfare recipients' – to avoid financial responsibility for the NHI scheme. On the basis of these principles, the medical insurance implemented two systems: 'pay-as-you-go' and 'fee-for-service.'

As can be seen in Table 6-1 in Chapter 6, apart from the period 1988 to 1991 (a transitional period to expand the benefits to the entire population), government subsidies to the NHI scheme for the self-employed did not exceed an average of 30%. The level of subsides has even decreased since 1992. It is evident that the government has only provided a marginal amount of financial support to the NHI scheme. Whenever the NHI reform became a hot issue, the government pledged to provide more government subsidies to the NHI scheme for the self-employed to undermine demands for reform. We can find this evidence from the two governments' announcements presented prior to the 1988 general election (see p.146-147 in Chapter 5) and after the activity of the Special Committee for Developing Farming and Fishery Areas (SCDFF) in June 1994 (see p.183-187 in Chapter 6). However, this promise was never kept.

It is even more evident from Table 8-1 how the Korean government's spending on social policy has been minimal. In comparison to the favoured policies of the government, such as economy and defence, the investment in social development has been significantly lower than in other areas. This shows that social policy had been given lower priority by the government.

Table 8-1 The Annual Expenditure of the Government on Defence, and Social and Economic Development (Unit: %)

	1977	1980	1982	1985	1987	1988	1989	1990	1992	1994
Economic* Development	22.7	21.6	17.5	20.1	19.4	14.6	14.9	14.1	18.6	23.1
Defence**	34.7	35.6	34.6	30.7	30.4	30.7	28.5	25.0	25.9	23.7
Social* Development**	4.1	6.7	6.2	6.8	8.2	7.8	8.9	8.9	9.7	9.0

Source: Ministry of Finance and Economy (1997) Annex to Summary of 1996 Budget
Economic Planning Board (1991) Annex to Summary of 1990 Budget
Economic Planning Board (1986) Annex to Summary of 1985 Budget

* Economic development expenditure/Annual expenditure of government x 100

** Defence expenditure/Annual expenditure of government x 100

*** Social development expenditure/ Annual expenditure of government x 100

At the same time, the Korean NHI policy also had some characteristics of the liberal welfare typology. As previously stated, the Korean government aimed to have limited responsibility for the medical insurance, so that the level of benefit from the NHI scheme had been low and the scale of government subsidies had been limited. Hence, the insured had to pay a significant amount from their own pocket for medical services (see Table 5-3, p.153 in Chapter 5).

To supplement the huge gap in coverage between the insured and uninsured (as seen in Table 5-3), and to avoid any state responsibility, the Korean government continuously considered adopting a private medical insurance programme. This effort was evident from the outcomes of special committees (see Table 6-2 in Chapter 6) in the Kim Young Sam government and of a task force in the Kim Dae Jung government (MoHW, 2001). In consequence, from the beginning, the design of the health care programme was established on the basis of conservative and liberal type welfare states. These two ideologies have dominated the social policy-making arena in general, and the policy process of NHI in particular. As a matter of fact, the welfare agenda of the Kim Young Sam and Kim Dae Jung governments, the so-called *Quality of Life in Globalisation* and *Productive Welfare* respectively (which were closer to the neo-liberal style), were dressed up in these two welfare ideologies in order to justify and gain public support for the similar policy direction of these governments.

The reform movement of the NHI scheme can be interpreted as a struggle towards a social democratic welfare regime. Against two predominant ideologies (conservative and liberal) in the health care policy, the reformists attempted to adopt universalism to achieve equity and equality, and to protect social rights within the national health care policy. In the policy process, this attempt by the reformists has been a serious challenge to the status quo, which has defended conservative and liberal approaches, to preserve the privileges of certain classes.

Kwon (1997: 141-142) attempted a similar test to categorise the general welfare system of Korea based on Esping-Andersen's welfare typology while the subject of my test was the health care policy. Although Kwon found a tendency to a conservative welfare regime in the general welfare system of Korea based on three characteristics – ① the principle of compulsory insurance; ② the emphasis on maintaining the prevailing order; and ③ the policy initiative coming from those in

power – he concluded that the Korean welfare system could not be put into the same category as advanced welfare states because of the different nature and ideology of politics in social policy between different countries. I agree with his point of view that there is a limit to categorising one system with another, because many characteristics of advanced welfare states are usually transformed by the social, political, and economic context of a country which adopts those characteristics.

However, his scope for testing the Korean welfare is confined to a single aspect. To understand welfare in developing countries such as Korea, a broader scope of approaches is necessary because those countries usually contain a mixture of characteristics from different welfare models. Since they have adopted and sometimes copied many parts (ideologies as well as pragmatic elements) of Western welfare modes for many years, many elements of different Western welfare models are embodied in their welfare systems. Moreover, they are still further testing their welfare development. For example, in the Korean case, conservative and liberal welfare approaches were initially taken from the Western welfare states (including Japan) by top policy makers and have been dominant in the health care policy in the government. Later, a social democratic way has challenged the two predominant ideologies for the past twenty years. Due to such a mixed experience in the Korean welfare, it would be difficult to put the Korean health care system into a certain category of welfare regime which represents the experience of the well-advanced welfare states (as in Kwon's arguments). But it would be worthwhile to examine a type of welfare development of the developing countries with broader scopes of understanding because many elements of advanced welfare systems have been imported from the Western welfare states in one way or another. Those characteristics of the Western welfare states have already become a crucial frame of the welfare system in the welfare developing countries.

In sum, the NHI scheme in Korea was initially established under a mixed approach of the conservative and liberal welfare ideologies. Thus, provision from the government for medical insurance was marginal, and the benefits were provided selectively to some privileged classes. A redistributive element and equity were not seriously considered by the policy-makers. To address these issues, a social democratic welfare perspective was introduced by the reformists during the developmental stage of the NHI scheme. This effort to generate social democratic

principles in policy-making was the reform movement. As the reform movement threatened the privileged classes, their resistance to preserve their vested rights was intense. However, the influence of the social democratic approach within the policy-making domain has contributed to enhancing policy-makers' visions, not only for the health care programme, but also for other aspects of social policy.

8.6 Main Findings about the Policy Process

This thesis demonstrates how NHI policy has developed over forty years and how the range of actors involved in policy-making widened during that time. All participating players performed distinctive roles in the development of the NHI scheme according to their specific objectives. The state played a major role as a policy-making institution. The presidents and a number of bureaucrat-elites were the main decision-makers under the authoritarian regimes. During democratisation and the economic crisis, engagement with a broader range of interest groups contributed to an acceleration of the distribution and the decentralisation of power in the policy-making arena. Hence, the development of the NHI scheme over the course of forty years provides an example of the transformation in policy-making in Korea from a unilateral and dictatorial style to a more open and democratic concept.

Social and political factors were more influential than economic ones in the development of the NHI scheme. The leadership style of presidents, political competition (amongst bureaucrats, political institutions, and interest groups), and the socio-political transformation of Korean society were key factors in explaining the decision-making process.

The more the political system became democratised, the more diverse and all-encompassing the range of the participants in the policy process became. As a result, the power in the policy-making arena was increasingly dispersed, weakening the concentration of power in certain elite departments and political institutions. In other words, as the democratic process became stronger, power in the decision-making process became distributed amongst a greater number of players. The increasing competition of participating actors, with diverse political interests, resulted in the implementation of reform being drawn out. This is most strongly evident under the government of Kim Dae Jung (1998-2003). During this period, as democracy increased in the country, the range of participants wanting and opposing

radical reform became more diverse than during the reform process of the Roh Tae Woo government (1988-1993). Although the president and the government were strongly committed to change, they faced political difficulties in taking the reform forward because of competing interests amongst different groups.

In contrast, the speed at which legislation was introduced and in which the policies implemented by the authoritarian regimes was much faster than that of the non-authoritarian governments. As a result of the strong leadership of the presidents of the authoritarian regimes, the government could drive through its policy agenda quickly without any strong external challenges. Overall, the implementation of the health care programme under the two authoritarian governments, the Park and Chun regimes, proceeded steadily. Once one of these leaders made a decision on health care policy, the policy proposal was quickly implemented by the government. Even though there might have been opposing views during the policy-making process, they could easily be ignored.

The most significant variable influencing the policy process of the Korean NHI scheme was the political *will* of particular leaders despite the style of the ruling regime. When a leader had firm intentions to develop the health care programme (even where the political aims of leaders differed), the NHI policy was placed at the centre of the government agenda, as we have seen in the cases of the three governments led by Park Chung Hee, Chun Doo Hwan and Kim Dae Jung. In other cases the development of NHI policy failed to be high on the political agenda, as in the cases of President Roh Tae Woo and President Kim Young Sam who did not have a vision for health care policy. Accordingly, their impact in the area of health policy was not significant.

The universalisation of NHI, then, occurred through the reform movement only when the political leadership saw it as a primary concern. Since the first reform movement of 1980, the reformers had attempted to adopt universalism to achieve equity and equality as well as to protect social rights within the national health care policy. Although the universal coverage was achieved by the effort of the government, the reformers tried to accomplish a more advanced universalisation by integrating the separate management and financial systems of the health care programme. In Korea, this reform movement was initiated from inside under the authoritarian government. Although the reform was not successful due to the strong

opposition from more powerful policy actors, it was unusual that it was attempted inside the government at all. This was because of the authoritarian political system where any policy process was highly controlled by a state leader. In conjunction with democratisation, the reform movement rapidly spread throughout the country and the universalisation integrated the fragmented NHI systems. It could be said, then, that the NHI scheme was ultimately legislated successfully. In the case of Korea, universalisation of the NHI and political transformation is significantly related.

While the political system of the country has been transformed to democracy, the structure of decision-making in the NHI policy process has also developed along more democratic lines. During the authoritarian-military regimes, Western conventional theories did not provide an accurate framework to explain the evolution of the policy process of the NHI scheme. A certain degree of elitist and institutionalist approaches were evident in the policy-making process. Along with the democratisation of the country, power in the policy-making arena has become more widely distributed. At the same time, the decision-making process has become more sophisticated in comparison to a simple top-down style under the authoritarian regimes. Through this transition of power structures, Western democratic theories have earned credibility to account for the development of the NHI policy process because the policy-making style in health care has evolved from an 'authoritarian leadership' style to 'pluralist and corporatist' styles in Korea.

These underlying outcomes provide distinctive reasons why a newly democratic country such as Korea would actively pursue the adoption of a more universally accepted approach to its national health care program than such older democratic countries as the U.S. and Japan. The U.S. government only provides national health care programmes to specific segments of the population whose income status precludes their purchasing private insurance on the open market. Japan – from where the Korean government imported the general framework for its NHI scheme – has still maintained the separatist approach in the administration of its medical insurance programme. This implies that democracy does not guarantee the way towards a comprehensive health care system. In the Korean case, during the social and political transformations in Korean society, struggles between participating actors in the policy process made possible the steady development of

the national medical insurance system. In particular, the political efforts of the reformers introduced universalism to a health care scheme that has proved to be of enormous benefit to the Korean people.

BIBLIOGRAPHY

Works in English

Abercrombie, N. (eds.) (1994) *The Penguin Dictionary of Sociology*, Third Edition, London: Penguin

Alber, J. (1983) 'Some Causes of Social Security Expenditure Development in Western Europe 1949-1977', in Loney, M., D. Boswell & J. Clarke (eds.), *Social Policy and Social Welfare,* Milton Keynes: Open University Press

Bachrach, P. & M.S. Baratz (1962) 'Two Faces of Power', *American Political Science Review*, 56, 641-651

Bane, M. & D. Ellwood (1994) *Welfare Realities: From Rhetoric to Reform*, Cambridge, MA.: Harvard University Press

Bonoli, G. (1997) *Classifying Welfare States: a Two-dimension Approach*, Journal of Social Policy, 26(3), 351-372

Bonoli, G. (2000) *The Politics of Pension Reform: Institutions and Policy Changes in Western Europe*, Cambridge: Cambridge University Press

Bulmer, M. & A. Rees (eds.) (1996) *Citizenship Today*, London: UCL Press

Cawson, A. (1978) 'Pluralism, Corporatism and the Role of the State', *Government and Opposition*, 13, 178-198

Clegg, S. (1989) *Frameworks of Power*, London: Sage

Clifford, M.L. (1994) *Troubled Tiger*, New York: An East Gate Book

Colin, R. (1993) *Real World Research*, London: Blackwell

Collier, R.B. & D. Collier (1979) 'Inducement versus Constraints: Disaggregating Corporatism', *American Political Science Review*, 73(4), 967-986

Cox, R. (1998) 'The Consequences of Welfare Reform: How Conceptions of Social Rights are Changing', *Journal of Social Policy*, 27(1), 1-16

Crepaz, M.M. (1992) 'Corporatism in Decline? An Empirical Analysis of the Impact of Corporatism on Macroeconomic Performance and Industrial Disputes in 18 Industrialized Democracies', *Comparative Political Studies*, 25(2), 139-168

Cutright, P. (1965) 'Political Structure, Economic Development, and National Social Security Programs', *American Journal of Sociology*, 70, 537-550

Dahl, R.A. (1961) *Who Governs?*, New Haven, Conn.: Yale University Press

Debnam, G. (1975) 'Nondecisions and Power: the Two Faces of Bachrach and Baratz', *American Political Science Review*, 69(3), 889-899

Deuchler, M. (1977) *Confucian Gentlemen and Barbarian Envoy: the Opening of Korea, 1875-1885, Seattle*: University of Washington Press

Dixon, J. & H.S. Kim (eds.) (1985) *Social Welfare in Asia, London*: Croom Helm

Drucker, H., P. Dunleavy, A. Gamble, and G. Peele (1986) *Developments in British Politics 2*, London: Macmillan

Dunleavy, P. & B. O'Leavy (1987) *Theories of the State: the Politics of Liberal Democracy*, London: Macmillan

Esping-Andersen, G. & W. Korpi (1984) 'Social Policy as Class Politics in Post-War Capitalism: Scandinavia, Austria, and Germany', in J.H. Goldthorpe, *Order and Conflict in Contemporary Capitalism*, New York: Oxford University press

Flora, P. & A.J. Heidenheimer (1981) *The Development of Welfare States in Europe and America*, New Brunswick, NJ.: Transaction Inc., Rutgers University
George, V. & P. Wilding (1994) *Welfare and Ideology*, Hemel Hempstead: Prentice Hall/Harvester Wheatsheaf
Giddens, A. (1997) *Sociology*, Third Edition, Cambridge: Polity Press
Glied, S. (1997) *Chronic Condition: Why Health Reform Fails*, Cambridge, MA.: Harvard University Press
Gough, I. (1979) *The Political Economy of the Welfare State*, London: Macmillan
Hall, P.A. (1986) *Governing the Economy: the Politics of State Intervention in Britain and France*, Cambridge: Polity Press
Ham, C. & M. Hill (1984) *The Policy Process in the Modern Capitalist State*, Brighton, Sussex: Harvester Wheatsheaf
Han, I.H. (1999) *Health Care Policy, Equity and the Welfare State: the Case of the National Health Insurance Programme in the Republic of Korea*, Unpublished Ph.D. Thesis, University of Bristol
Harrison, R.J. (1980) *Pluralism and Corporatism*, London: Allen & Unwin
Hasan, P. & Rao, D.C (1979) *Korea: Policy Issues for Long-Term Development*, Washington D.C.: The World Bank
Hasenfeld, Y., J.A. Rafferty & M.N. Zald (1987) 'The Welfare State, Citizenship, and Bureaucratic Encounters', *Annual Review of Sociology*, 13, 387-415
Heidenheimer, A., H. Heclo & C.T. Adams (1990) *Comparative Public Policy: the Politics of Social Choice in America, Europe and Japan*, New York: St. Martin's Press
Hill, M. (1997) *The Policy Process in the Modern State*, Third Edition, Hemel Hempstead: Prentice Hall/Harvester Wheatsheaf
Holliday, I. (2000) 'Productivist Welfare Capitalism: Social Policy in East Asia', *Political Studies*, 48, 706-723
Horowitz, I.L. (ed.) (1963) *Power, Politics and People: the Essays of C. Wright Mills*, New York: Oxford University Press
Howard, C. (1997) *The Hidden Welfare State: the Tax Expenditures and Social Policy in the United States*, Princeton, NJ.: Princeton University Press
Hunter, F. (1953) *Community Power Structure: a Study of Decision Makers*, Chapel Hill, NC.: University of North Carolina Press
Immergut, E.M. (1990) 'Institutions, Veto Points, and Policy Results: a Comparative Analysis of Health Care', *Journal of Public Policy*, 10(4), 391-416
Immergut, E.M. (1992) *Health Politics: Interests and Institutions in Western Europe*, New York: Cambridge University Press
International Bank for Reconstruction & Development (1998) *Report & Recommendation of the President of the IBRD to the Executive Directors on a Proposed Structural Adjustment Loan in an Amount Equivalent to US$2.0 Billion to the Republic of Korea*, Unpublished World Bank document, March
International Labour Organisation (ILO) *LABORSTA: Display Module*, http://laborsta.ilo.org/cgi-bin/broker.exe
Jacek, H.J. (1986) 'Pluralist and Corporatist Intermediation, Activities of Business Interest Associations, and Corporate Profits: Some Evidence from Canada', *Comparative Politics*, 18(4), 419-437

Jacobs, D. (1998) *Social Welfare Systems in East Asia: a Comparative Analysis Including Private Welfare*, CASE paper 10, Centre for Analysis of Social Exclusion, London School of Economics

Jones, C. (1990) 'Hong Kong, Singapore, South Korea and Taiwan: Oikonomic Welfare State', *Government and Opposition*, 25(4), 446-462

Jones, C. (1993) 'The Pacific Challenge: Confucian Welfare States', in C. Jones (ed.), *New Perspectives on the Welfare State in Europe*, London: Routledge

Joo, J.H. (1999) 'Explaining Social Policy Adoption in South Korea: the Cases of the Medical Insurance Law and the Minimum Wage Law', *Journal of Social Policy*, 28(3), 387-412

Kang, W.M. (1992) *Policy-Making for National Pensions in the Republic of Korea*, Unpublished Ph.D. Thesis, University of Edinburgh

Kangas, O. (1992) 'The Politics of Universalism: the Case of Finnish Sickness Insurance', *Journal of Social Policy*, 21(1), 25-52

Kim, B.W. & P.S. Kim (1997) *Korean Public Administration: Managing the Uneven Development*, Elizabeth, NJ.: Hollym

Koo, Y.N. (1985) 'Foreign Policy Decision-Making', in Koo, Y.N. & S.J. Han (eds.) *The Foreign Policy of the Republic of Korea*, New York: Columbia University Press

Korea Institute for Health and Social Affairs (1998) *Health Care System in Korea*, Seoul: KIHSA

Korpi, W (1989) 'Power, Politics, and State Autonomy in the Development of Social Citizenship: Social Rights during Sickness in Eighteen OECD Countries Since 1930', *American Sociological Review*, 54(3), 309-328

Korpi, W. (1983) *The Democratic Class Struggle*, London: Routledge & Kegan Paul

Kwon, H.J. (1995) *The Welfare State in Korea: the Politics of Legitimation*, Unpublished D.Phil. Thesis, University of Oxford

Kwon, H.J. (1997) 'Beyond European Welfare Regimes: Comparative Perspective on East Asian Welfare Systems', *Journal of Social Policy*, 26(4), 467-484

Kwon, H.J. (1999) *The Welfare State in Korea: the Politics of Legitimation*, London: Macmillan Press

Kwon, S.M. (2001) 'Economic Crisis and Social Policy Reform in Korea', *International Journal of Social Welfare,* 10, 97-106

Kwon, S.M. (2002) *Achieving Health Insurance for All: Lessons form the Republic of Korea*, Extension of Social Security-Paper No.1, Geneva: International Labour Office

Lehmbruch, G. (1979) 'Consociational Democracy, Class Conflict and the New Corporatism', in Schmitter, P.C. & G. Lehmbruch (eds.), *Trends Toward Corporatist Intermediation*, London: Sage

Lehmbruch, G. (1979) 'Liberal Corporatism and Party Government', in Schmitter, P.C. & G. Lehmbruch (eds.), *Trends Toward Corporatist Intermediation*, London: Sage

Lister, R. (2000) *Building a Citizens' Welfare State*, Centre for Theology and Public Issues, University of Edinburgh

Magagna, V. (1988) 'Representing Efficiency: Corporatism and Democracy Theory', *Review of Politics*, 50, 420-444

Marshall, G. (ed.) (1998) *Oxford Dictionary of Sociology*, Oxford: Oxford University Press

Marshall, T.H. (1963) *Sociology of the Crossroads and Other Essay*, London: Heinemann Educational Books
Miller, N.R. (1983) 'Pluralism and Social Choice', *American Political Science Review*, 77(3), 734-747
Mills, C.W. (1956, 1971) *The Power Elite*, New York: Oxford University Press
Ministry of Finance & Economy (1998) *The Main Points of the Agreement with the IBRD for the 2nd Structural Adjustment Loan*, Unpublished government document for the press release, October
Ministry of Health & Social Affairs (1994) *Major Programmes for Health and Social Welfare*, Published government booklet, Seoul: MoHSA
Mishra, R. (1981) *Society and Social Policy*, Second Edition, London: Macmillan Press
Moran, M. (1999) *Governing the Health Care State: a Comparative Study of the United Kingdom, the United States and Germany*, Manchester: Manchester University Press
O'Connor, J. (1973) *The Fiscal Crisis of the State*, New York: St.Martin's Press
O'Donnell, G.A. (1974) *Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics*, Berkeley, CA.: Institute of International Studies, University of California
Offe, C. (1984) *Contradictions of the Welfare State*, London: Hutchinson & Co.
Oh, J.K. (1999) *Korean Politics,: the Quest for Development and Economic Development*, Ithaca, NY.: Cornell University Press
Panitch, L. (1979) 'The Development of Corporatism in Liberal Democracies', in Schmitter, P.C. & G. Lehmbruch (eds.) *Trends Toward Corporatist Intermediation*, London: Sage
Parenti, M.(1970) 'Power and Pluralism: a View from the Bottom', *Journal of Politics*, 32, 501-530
Park, C.H. (1970a) *The Country, The Revolution and I,* Seoul: Hollym Corporation Publishers
Park, C.H. (1970b) *Major Speeches by Korea's Park Chung Hee,* Seoul: Hollym Corporation Publishers
Parsons, T. (1947) *Max Weber: the Theory of Social and Economic Organization*, New York: Free Press
Parsons, W. (1995) *Public Policy*, Cheltenham: Edward Elgar Publishing
Perrow, C. (1986) *Complex Organizations: a Critical Essay*, New York: Random House
Pinker, R. (1971) *Social Theory and Social Policy*, London: Heinemann
Ritter, G. (1986) *Social Welfare in Germany and Britain: Origins and Development*, New York: Berg
Robinson, P.T. (1991) 'Niger: Anatomy of a Neotraditional Corporatist State', *Comparative Politics*, 24(1), 1-20
Rubin, A. & E. Babbie (1993) *Research Methods for Social Work,* Second Edition, Pacific Grove, CA.: Brooks/Cole Publishing Company
Runciman, W.G. (1978) *Max Weber: Selections in Translation*, Translated by E. Matthews, Cambridge: Cambridge University Press
Schattschneider, E.E. (1960) *The Semi-Sovereign People*, New York: Holt, Rinehart and Winston
Schmitter, P.C. (1979) 'Still the Century of Corporatism?', in Schmitter, P.C. & G. Lehmbruch (eds.), *Trends Toward Corporatist Intermediation*, London: Sage

Schwarzmantel, J. (1994) *The State in Contemporary Society*, Hemel Hempstead: Harvester Wheatsheaf
Sibeon, R. (1996) *The New Sociology of Public Policy*, Tudor Business Publishing
Skocpol, T. & E. Amenta (1986) 'States and Social Policies', *Annual Journal of Sociology*, 12, 131-157
Skocpol, T. (1997) 'Bringing the State Back In: Strategies of Analysis in Current Research', in Evans, P.B., D. Rueschemeyer & T. Skocpol (eds.) *Bringing the State Back In*, Cambridge: Cambridge University Press
Son, A. H.K. (1999) 'Modernization of Medical Care in Korea (1876-1990)', *Social Science & Medicine,* 49, 543-550
Sullivan, M. (1998) 'The Social Democratic Perspective', in Alcock, P., A. Erskine & M. May (eds.) *The Student's Companion to Social Policy*, Oxford: Blackwell
Titmuss, R.M. (1974) *Social Policy: an Introduction*, London: George Allen & Unwin
U.S. Library of Congress/ Federal Research Division/Country Studies http://memory.loc.gov/cgi-bin/query/r?frd/cstdy:@field (DOCID+kr0084)
Weiming, T. (2000) 'Implications of the Rise of Confucian East Asia', *Daedalus*, 129(1), 195-218
White, G & R. Goodman (1998) 'Welfare Orientalism and the Search for an East Asian Welfare Model', in Goodman, R., G. White & H. Kwon (eds) *The East Asian Welfare Model: Welfare Orientalism and the State*, London: Routledge
Wilensky, H. (1975) *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditures*, Berkeley: University of California Press
Wilensky, H.L. & C.N. Lebeaux (1965) *Industrial Society and Social Welfare*, New York: Russell Sage Foundation, The Free Press
Wilensky, H.L. (1975) *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure*, Berkeley, CA.: University of California Press
Williamson, P.J. (1989) *Corporatism in Perspective: an Introductory Guide to Corporatist Theory*, London: Sage
Wynia, G.W. (1990) *The Politics of Latin American Development*, Third Edition, Cambridge: Cambridge University Press
Yang, B.M. (1996) 'The Role of Health Insurance in the Growth of the Private Health Sector in Korea', *International Journal of Health Planning and Management*, 11, 231-252
Yin, R.K. (1994) *Case Study Research: Design and Methods,* Second Edition, Thousand Oaks, CA.: Sage
Young, B. (1990) 'Does the American Dairy Industry Fit the Meso-Corporatist Model?', *Political Studies*, XXXVIII, 72-82

Works in Korean

Association of Physicians for Humanism (1988) *The Association Newspaper*, Vol. 8, October
Board for Promoting & Planning of the Unified NHI Scheme (1998) *Major Reviews of Final Proposal for the Unified NHI Scheme*, Unpublished government document, July

Cha, H.B. (1991) 'The Establishment of the Medical Insurance Policy in Korea and Theoretical Study about Its Changes', in the Research Institute of Social Welfare at Hallym University (ed.) *Comparative Social Welfare 1*, Seoul: Eul-You Publishing

Cha, H.B. (1992) 'Developing Process of Medical Security Scheme in Korea', in Rhee, D.H. et al. (eds.) *National Health Security,* Seoul: Nanam, 317-357

Cha, H.B. (1996) 'The Process of Policy Determinants in Health Insurance', *Korea Journal of Social Welfare Policy*, 3, 179-194

Cho, G.J. (2000) 'Park Chung Hee', in S.D. Hahm (ed.) *Korean Presidents and Their Power*, Seoul: Nanam

Cho, H.S. (1999) 'Poverty & Social Security', in Korean Academies of Social Policy & Social Welfare Policy (eds.) *The Evaluation of Social Policy of the New Government,* Discussion Paper for a Joint Policy Forum, June 11

Choi, C.S. (1991) *The History of Social Security in Korea,* Seoul: Institute of Korean Social Security Issues

Choi, J.J. (1997) *Labor Movement and the State in Korea*, Seoul: Nanam

Choi, S.J. (1987) *The Study on the Policy Making Process of the Medical Insurance Programme in Korea,* Unpublished M.A. Dissertation, Seoul National University

Christian Association of Poverty Medicine (1988) *The Association Newspaper*, Vol. 4, Winter

Chun, K.H. (1985) 'The Structure of the Labour Market in Korea', in Lee, K.E. & C.H. Chun (eds.) *Social Constitution of Korea: the Structure of Civil Economy Part I,* Dae Gu: Hwa Da

Chung, J.G. (1992a*) The Economic Policy of the Korean Presidents: Park Chung Hee*, Shin-Dong-A, September, 234-249

Chung, J.G. (1992b*) The Economic Policy of the Korean Presidents: Chun Doo Hwan*, Shin-Dong-A, October, 228-245

Chung, M.K. (1993) 'The State Autonomy, the State Capability, and Social Security Policy', *Korean Public Administration Review*, 27(2), 493-516

Commission for Adjusting Economic Structure (1988) *Problems and Improvements of the Medical Insurance System*, Discussion Paper, Unpublished government paper, May

Committee of Health & Social Affairs (1989) *The Public Hearing for the Proposals of Medical Insurance Acts*, the National Assembly of the Republic of Korea, Unpublished parliamentary document, February

Conference of People's Solidarity for the Unification & the Expansion of the Benefits of the NHI Scheme (1999) *The Operation Report of the Conference: the 10 Year History for the Unification of the NHI scheme*, Unpublished organisation Booklet, July

Doosan Encyber http://kr.encycl.yahoo.com

Economic Planning Board (1986) *Annex to Summary of 1985 Budget,* Published government Report, Seoul: EPB

Economic Planning Board (1991) *Annex to Summary of 1990 Budget,* Published government Report, Seoul: EPB

Evaluating & Planning Board of Social Security (1998) *The 1st Social Security Development Five-Year Planning (1999-2003)*, Unpublished government document, June

Hyun, K.W. (1985) 'An Analysis of the Working Class in Korea', in Lee, K.E. & C.H. Chun (ed.) *Social Constitution of Korea: the Structure of Civil Economy Part 1*, Tae Gu: Hwa Da

Jang, S.H. (1985) 'Capitalism and Rural Problems in Korea during the 1980s, in Lee, K.E. & C.H. Chun (eds.) *Social Constitution of Korea: the Structure of Civil Economy Part I,* Dae Gu: Hwa Da

Jang, S.H. (1985) 'Economic Growth and Rural Problems', in S.H. Jang (ed.) *The Current Conditions of Rural Areas and the Farmers' Movement*, Seoul: Dol Bae Gae

Kim, B.O. (1993) *The Press Release Paper*, the Parliamentary Inspection Session, October 19

Kim, C.J. (1990) *Countermeasures and Outlooks regarding the National Medical Insurance Act*, the Committee of Health & Social Affairs, the National Assembly of the Republic of Korea, February

Kim, C.K. (2000) 'Kim Young Sam', in S.D. Hahm (ed.) *Korean Presidents and Their Power*, Seoul: Nanam

Kim, C.Y., T.S. Lee & Y.M. Kim (1998) 'What the IBRD demands of us?', *Monthly Welfare Trends,* November, 33-41

Kim, J.C. (1988) 'Expansion of Medical Insurance: What is the Problem?', *Monthly Chosun*, June, 540-553

Kim, J.C. (1988) 'Medical Insurance Funding Societies under Military Veterans', *Sin Dong A*, April, 418-433

Kim, J.R. (1995) *The Thirty Year History of Korean Economic Policy: the Reminiscences of Kim Jung Ryum*, Seoul: Joong Ang Il Bo Sa

Kim, S.Y. (1994) *A Study on the Change of the System of Interest Representation in Korean Social Policy Process*, Unpublished Ph.D. Thesis, Seoul National University

Kim, Y.I. (1990) 'Social Welfare in Korea', in S.J. Shin (ed.) *Comparative Social Welfare*, Seoul: You-Pung Publishing

Kim, Y.M. et al. (1991) *The Study of Korean Medical Insurance*, Seoul: the Korea Institute for Welfare Policy

Kim, Y.R. (1990) *Interest Groups in Korea and Development of Democratic Policy*, Seoul: Dae Wang Sa

Kim, Yeon Myung (1989) 'A Study on the Developmental Styles of the Korean Medical Insurance Scheme', in Research Group for Health & Society (eds.) *The Study on Health Security in Korea*, Seoul: Chung-Nyun-Se-Dae

Kim, Yeon Myung (1999) *Huge Experiment and Uncertain Future*, Unpublished research paper, May

Ko, K.S. (1989) 'Evaluation of the Reform Movement on Medical Insurance Programme in Rural Areas', in Research Group for Health & Society (eds.) *The Study on Health Security in Korea*, Seoul: Chung-Nyun-Se-Dae

Korean Confederation of Trade Unions http://www.kctu.org/about/history.html

Korean Confederation of Trade Unions (1994) *The Statement of the KCTU*, May

Korean Medical Association (1986) *The Policy Direction of the KMA regarding the NHI Scheme for the Entire Population*, Unpublished association paper, June

Kwon, M.I. (1989) *The Study on the Legislation of Social Insurance Programmes: the Industrial Accident and the Medical Insurance Laws*, Unpublished M.A. Dissertation, Seoul National University

Lee, J.D. (1989) *A Study on the Interest Articulation Activities of the Interest Groups in Korea*, Unpublished M.A. Dissertation, Korea University
Lee, J.W. (1999) 'The Directions & Tasks of Productive Welfare Policy', in the Korean Academy of Social Welfare (ed.) *Productive Welfare: the Contents & Possibilities*, Unpublished academic forum paper, September, 1-24
Lee, K.C. (1980) *The Plan for Improvement and Development of Social Security in Korea,* Unpublished SSC research paper
Lee, K.K. (1991) 'The Study on the Reforming Process of the National Medical Insurance Act', *Korean Journal of Social Policy*, 13, 159-204
Ministry of Finance and Economy (1997) *Annex to Summary of 1996 Budget,* Published government Report, Seoul: MoFE
Ministry of Health & Social Affairs (1970; 1971; 1982; 1985; 1990*) Year Book of Health and Social Affairs Statistics*, Published government statistics, Seoul: MoHSA
Ministry of Health & Social Affairs (1973, 1960*) Year Book of Public Health & Social Statistics*, Published government statistics, Seoul: Korea
Ministry of Health & Social Affairs (1982) *The White Paper of Health*, Published government Paper, Seoul: MoHSA
Ministry of Health & Social Affairs (1988) *The Review of the Bill of the National Medical Insurance Act of the PPD and the Bill of the National Health Insurance Act of the RDP,* Unpublished government document, November
Ministry of Health & Social Affairs (1990) *Review of the National Medical Insurance Act,* Unpublished government document, February
Ministry of Health & Social Affairs (1992) *The 7th Economic & Social Development Five-Year Plan (1992-1996): Plans for Health & Social Security*, Unpublished government document
Ministry of Health & Social Affairs (1993) *Plans & Affairs of 1993: Medical Insurance Bureau,* Unpublished government document, March
Ministry of Health & Social Affairs (1994) *The Review of the Management System of the NHI scheme*, Unpublished government document, April
Ministry of Health & Welfare (1996; 1997; 1998*) Year Book of Health and Welfare Statistics*, Published government statistics, Seoul: MoHW
Ministry of Health & Welfare (1997) *The 1st Proposal for the Directions for Social Security Development: Public Assistance & Social Welfare Services*, Unpublished government document, December
Ministry of Health & Welfare (1997) *The Report of Major Affairs*, Unpublished government document, December
Ministry of Health & Welfare (1998) *The Proposal for the National Health Insurance Act*, Unpublished government document, July
Ministry of Health & Welfare (1998) *The Report of Policy Affairs*, Unpublished government document, April
Ministry of Health & Welfare (1998) *The White Paper of Health and Welfare*, Published government paper, Seoul: MoHW
Ministry of Health & Welfare (1998a) *The Improvement of the Medical Insurance and National Pension Schemes,* Unpublished government document, January
Ministry of Health & Welfare (1998a) *The Report of Major Affairs*, unpublished government document, March
Ministry of Health & Welfare (1998b*) The 100 Policy Projects: Social & Cultural Division,* Unpublished government document, January

Ministry of Health & Welfare (1998b) *The Proposal for the Establishment of the Board for Promoting and Planning the Unified NHI Scheme*, Unpublished government document, March

Ministry of Health & Welfare (2001) *An Improvement Plan for Medical Security System through the Cooperation between National Health Insurance and Private Insurance*, Unpublished government task force document, December

Ministry of Health and Social Affairs (1980) *The Improvement of the National Health Insurance Scheme,* Unpublished government document, November

Ministry of Health and Social Affairs (1982*) The Circumstances and Assignments in the National Health Insurance,* Unpublished government document, September

Moon, H.S. (2000) 'Kim Dae Jung', in S.D. Hahm (ed.) *Korean Presidents and Their Power*, Seoul: Nanam

Moon, O.R. (1997) *Korean Medical Insurance*, Seoul: Shin Kwang Publishing

Moon, T.J. (1999) *Reminiscences: Health for Everyone*, Seoul: Sem-Teo

National Assembly of the Republic of Korea (1981) *The Conference Record of the Committee of Health and Social Affairs in the 108th National Assembly,* Vol.16, Unpublished parliamentary document

National Assembly of the Republic of Korea (1989) *The 1989 Parliamentary Inspection on State Administration,* Unpublished parliamentary document, September 19 – October 7

National Assembly of the Republic of Korea (1989) *The Bill of the National Medical Insurance Act,* Unpublished parliamentary document, November

National Committee for Countermeasures for Medical Insurance (1988) *The Conference Paper for Setting the Bill of the National Medical Insurance Act*, Unpublished internal paper, October

National Federation of Farmers Unions (1991) *Open Forum Paper*, April

National Federation of Medical Insurance (1998) *The Expected Problems After Implementing the National Medical Insurance Act*, Unpublished internal paper, January

National Health Insurance Corporation (1999) *1998 National Health Insurance Statistical Yearbook,* Published NHI statistics, Seoul: NHIC

National Statistical Office (1999) *Monthly Statistics of Korea*, Published government statistics, Seoul: NSO

National Statistical Office (1999) *1999 Social Indications of Korea*, Published government statistics, Seoul: NSO

National Welfare Planning Board (1996*) 'Quality of Life' Standard Design of National Welfare for Globalisation* (Final Draft), Unpublished government document, February

Paik, L.G. (1970) *The History of Protestant Missions in Korea (1832-1910),* Seoul: Yonsei University Press

Park, C.K. (ed.) (1980) *Human Resources and Social Development in Korea*, Seoul: KDI

Park, J.H. (1996) *Government's Role in the Policy Process of the Korean Medical Insurance Programme*, Unpublished Ph.D. Thesis, Seoul National University

Park, J.K. et al.(1981) *The Research Report for Improving the Social Security Programme,* Unpublished KDI research paper

Policy Committee of the Democratic Party (1993) *The Bill for the National Medical Insurance,* Unpublished party document, November

Policy Committee of the National Congress for New Politics (1998) *100 Days' Evaluation of the Citizens' Government*, Unpublished party document, June
Policy Research Team of Democratic Republican Party (1966) *Long-Term Outlook of Korean Economy (1967-1986),* Unpublished party document, December
Reunification & Democracy Party (1988) *The Proposal for the National Health Insurance Act,* Unpublished party document, November
Rhee, H.C. (1993) *The Press Release Paper*, the Parliamentary Inspection Session, October 19
Rhee, J.R. (2000) 'Chun Doo Hwan', in S.D. Hahm (ed.) *Korean Presidents and Their Power*, Seoul: Nanam
Shin, J.O. (1997) 'An Analysis of the Level of Benefits and Out of Pocket Payments in the Medical Insurance', *Health and Welfare Policy Forum*, Korea Institute for Health and Social Affairs Vol.9, June, 17-27
Shin, K.Y. (1990) 'The Politics of Productivity and the Labour Unions in Korea during the 1980s', in the Research Group of Korean History (ed.) *Labour Issues and Urban Policy*, Seoul: Moon Hak Koa Ji Sung Sa
Social Security Study Group (1990) *The Justification and Reasons for the Unified Medical Insurance Programme,* Unpublished organisation paper, February
Sohn, J.K. (1981) *The Study on the Welfare Policy-Making Process of Korea,* Unpublished Ph.D. Thesis, Seoul National University
Sohn, J.K. (1983) *Social Security/Social Development*, Seoul: Jip Moon Dang
Special Committee for Health Reform (1997) *The Assignments for Health Policy,* Unpublished government document, December
Special Committee for Health Security Reform (1994) *The Assignments for Health Security Reform and Policy Directions,* Unpublished government paper, June
Task Force for the Establishment of Social Security Development Directions (1997) *The 1st Directions for Social Security Development* (Rough Draft), Unpublished government document, June
Tripartite Committee (1998) *The Proposal for Social Consensus to Overcome the Economic Crisis*, Unpublished government document, February
Won, S.J. (1990) *A Study on Political Economics of Korean Medical Insurance,* Unpublished Ph.D. Thesis, Chung-Ang University
Woo, J.C. (2001) 'The Eve of the 1989 Suspension of the Mid-Term Evaluation of the President Roh Tae Woo', *Monthly Chosun*, September, http://monthly.chosun.com/html/200109/200109020029-1.html
Yeom, H.C. (2000) 'Roh Tae Woo', in S.D. Hahm (ed.) *Korean Presidents and Their Power*, Seoul: Nanam
Yeon, H.C. (1982) 'An Analysis on Income Distribution Effects of Medical Insurance', *Journal of Korea Development*, 4, 105-126
Yoo, I.W. (1996) 'A Review of Disputes of the Medical Insurance in Korea', *Korea Journal of Social Welfare Policy*, 3, 157-178
Yoon, H.M. (1984) *A Study on the Discussion Process of a Unification of Medical Insurance System in Korea: with the Framework of a Group Theory,* Unpublished M.A. Dissertation, Seoul National University.
Youn Hap Tong Shin (1999) *Korean Biographical Dictionary*, Seoul: Youn Hap Tong Shin Sa

Newspapers

Newspaper of Korean Medical Association
1979: January 19; July 15; November 18; December 6
1986: February 13, 17
1987: March 5, 9; April 23; September 14
1997: January 2, 13; August 25; November 24
1998: April 30; August 10, 27, 31; December 7, 10
1999: January 11, 14

Kyung Hyang Shin Moon
1980: November 3
1986: January 28
1994: January 9, 11; April 15, 20; May 18; Dec 28
1995: January 22
1998: February 4
1999: June 16; August 9; November 23

Seoul Shin Moon
1986: March 29; July 19; August 12

Han Kyo Reh
1988: June 21, 30
1989: March 16, 18
1990: February 23, 24; March 3; April 21, 20; May 18
1995: March 24
1996: November 22
1998: February 17; August 1; November 24; December 1
1999: February 4; May 20; June 16; July 13; September 28; October 12; November 17, 20, 23

Dong A Il Bo
1976: February 26
1989: March 8, 10, 16
1990: January 22; February 23
1994: January 11; February 1; April 19; June 15; November 20, 23
1995: May 19
1996: December 9
1997: November 7
1998: January 14; November 24
1999: May 3, 7, 18, 20; July 13, 14; September 25; October 11
2000: June 29; August 3

Kook Min Il Bo
1989: March 16, 20

Han Kook Il Bo
1989: March 9

Chosun Il Bo
1989: March 9
1996: November 9
1997: January 13, 26; August 4, 15; November 13, 17, 24; December 15
1998: January 8, 14; February 17; July 9; December 2
1999: May 22; July 14, 28; October 11

Joong Ang Il Bo
1989: March 8
1995: March 23; December 20
1999: June 19

APPENDIX I

LIST OF INTERVIEWEES

These interviewees granted permission for their names to be listed in the thesis. It is noted that three more interviewees, who did not wish to have their names revealed, contributed to the data collection of this research.

Cheon Myung Ki – Former Minister of Health and Social Affairs (1980 – 1982)

Kim Jung Rye – Former Minister of Health and Social Affairs (1982 – 1985)

Rhee Doo Ho – Former Vice-Minister of Health and Social Affairs (1988 – 1989) Former Assistant Minister for Planning and Management in the Ministry of Health and Social Affairs (1980-1983)

Yoo In Wang – Chief Editor of the Newspaper of the Korean Medical Association

Kim Young Mo – Professor of Chung-Ang University; Chief of the Korea Institute for Welfare Policy; Former Government Adviser for President, Prime-Minister, and Minister of Health and Social Affairs

Kim Yeon Myung – Assistant Professor of Chung-Ang University; Vice-Chief of the Social Welfare Committee in People's Solidarity for Participatory Democracy (PSPD); Former Technical Expert of the Board for Promoting and Planning the Unified NHI Scheme (BPPU) under the Kim Dae Jung Government

Cho Kyoung Ae – Deputy-Director of the Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI Scheme (CoPS) (1994 – 1998); Currently Director of Solidarity for People's Health as Right (SPHR)

APPENDIX II

Examples of Semi-Structured Interview Schedules

For a minister:

Minister Cheon:

- According to the information which I gained from a review of the literature, you are the one who initiated and advocated the reform of the National Health Insurance (NHI) program from inside the government. What caused you to bring forward the idea for reform; what happened within the government after you did this; who became involved in the reform movement from inside the government?
- You said that the reform plan was your own idea: did you receive any other internal (political) pressure or influence from inside the government circles; was there any influence from external social sectors?
- You mentioned that the Presidential Secretariat Office intervened in the reform movement: what happened with regard to this process; who actually got involved with the movement and what part did they play; why did the Presidential Secretariat Office step into the policy-making process?
- After all your attempts, efforts to bring about NHI reform from within the government failed. From your perspective as an insider and government official, what caused this failure?

Minister Kim:

- During the second reform movement, you faced strong resistance to the reform inside the government while, on the other hand, you were simultaneously under strong pressure to pursue reform from the National Assembly: what were the demands from both sides; how did you deal with the inevitable political confrontation?
- You mentioned that you had your own plan for initiating and implementing reform despite the politically difficult circumstances: could you explain these plans which you strategically designed to pursue the reform?

- According to the information available to me, you expressed a negative view of the administrative style of government and the behaviour of National Assemblymen during the policy-making process; could you specifically elaborate on what happened to cause you to feel that way?

For a civil servant:

Vice-Minister Rhee:

- According to an interview, you were a key policy maker in the MoHSA. It is also said that you were actually involved in the entire reform movement of the 1980s: how did you become involved in this movement; who were the key actors in the reform inside the government?
- What was your personal perspective as a high-ranking civil servant in the MoHSA with regard to the NHI implementation and the subsequent reform?
- According to my research, the EPB did not originally support a separate NHI system but it changed its stance towards the separate system later: what made the EPB change its political decision not to support the unified system?
- You mentioned that - after the initial failure of reform - you and some of your fellow civil servants were pressured to leave your department by another government agency: how did this happen; how did this affect you and the other civil servants?

Professional and an activist:

Professor Kim:

- It is difficult to find many relevant research documents and articles produced by professionals concerning NHI at the beginning of the 1980s: how could a professional group participate in the reform movement in the beginning years of the 1980s; what encouraged the professional group to expand its influence in the policy-making process during the entire decade?
- According to the literature, there were a number of debates between reformist and anti-reformist groups through seminars and forums organised by several institutions: how did the professionals seek to influence the policy-makers through the series of debates?

Activist Cho:

- What was the purpose of the establishment of the CoPS – previously known as the NCCMI – and who initiated the establishment of this civic organisation?
- According to a booklet of the CoPS, the membership of the organisation was opened to the admittance of a variety of different groups. In particular it seems that the relationship with a labour union, the KCTU, became significant: what made this expansion possible; what was the relationship with the labour union?
- When comparing the activities of the organisation of the end of 1980s with those going on at the end of the 1990s, the ability of the civic organisations to effect change seems weaker at the beginning and mid-1990s, despite the emergence of a civilian government: what happened to the organisation during this time period?
- From your perspective as a pressure group leader, how has the political environment changed during the Kim Dae Jung government; what do you see as the major differences between the politics of the past and those of the present?
- You mentioned that the NHI reform movement was attributed to the social agreement among citizens, what is your evidence regarding this issue?

Professional and activist Kim:

- In social policy-making, how has the influence of civic groups been transformed?
- Has there been any difference in the formation of the policy-making process in the Kim Dae Jung government? If so, what is different?
- How much are civic groups allowed to be involved in the policy process nowadays?

APPENDIX III

Summary of the Bills Proposed by Political Institutions through 1988 - 1989

	Current NHI Scheme	Amendment Bill of Gov.	Proposal of PPD	Proposal of RDP	Proposal of NDRP	Requests of KMA	Unanimous* Proposal among PPD, RDP & NDRP
Title	- Medical Insurance Act - Medical Insurance Act for Employees in the Government and Private Schools		- National Medical Insurance Act - Abolishing the current Medical Insurance Act	- National Health Insurance Act - Same as PPD's	- Abolishing the current Medical Insurance Act for Employees in the Gov. and Private Schools - Revising the current Medical Insurance Act		- National Medical Insurance Act
Management Structure	- Funding societies under the separate administration system - Income earners: ①Employees in the private sectors - company- or district-based funding societies, ②Employees in Gov. and Private Schools - a national funding authority (Korean Medical Insurance Corporation)	- Wider range of local coverage in partial areas: - *Si* + *Kun* - *Si*-based funding society in the metropolitan cities (Abolish *Ku*-based funding society)	- National Medical Insurance Corporation under a unified administration system	- National Health Insurance Corporation under a unified administration system	- Wider range of local coverage of funding societies under a separate administration system	- A unified administration system: one insurer system	- National Medical Insurance Corporation under a unified administration system

	- Farmers and Fishermen - *Kun*-based funding societies - Self-employed in urban areas – *Si-(*City) *and Ku*-based funding society						
The Insured	- Entire populations: excluding the beneficiaries from the Medical Aid scheme		- Entire populations: excluding the beneficiaries from the Medical Aid scheme	- Entire populations: unify the Medical Aid scheme to the NHI scheme	Same as current scheme		- Entire populations: excluding the beneficiaries from the Medical Aid scheme
The Method of Contributions	- It is possible that the government can provide partial financial support for the NHI administration			- Applying progressive rates to contributions for the higher income insured - The beneficiaries under the Livelihood Protection scheme would be exempt from the payment of contributions			- The government should provide partial financial support for the administration of the NHI scheme - Applying progressive rates to contributions for the higher income insured
The Method of Appointing System to the Service Provider	- Compulsory appointing system		- Contract system: between a national funding authority and medical providers, excluding state and public medical institutions	- Same as PPD	- Same as PPD	- Same as PPD	- Same as PPD

Determination of Fee Schedule	- Determined by Deliberating Committee of Medical Insurance under MoHSA		- Same as the Government's	- Establish a Deliberating Committee for the NHI fee schedule	- Establishing an Adjusting Committee for the NHI fee schedule	- Establishing Deliberating Committee for the NHI fee schedule	- Establishing an Adjusting Committee for the NHI fee schedule under the MoHSA
Examining the Cost of NHI Treatment Provided by Medical Institutions	- Examined by the insurer, National Federation of Medical Insurance (NFMI)		- Examined by the insurer, National Medical Insurance Corporation	- Examined by the insurer, National Health Insurance Corporation	- Establishing an independent examining body for the NHI grant and cost	- Same as NDRP's	- Minister of the MoHSA should set up an examining body for the NHI grant and cost
Medical Disputes	- No regulation			- Minister of Health and Social Affairs may be able to set up a compensation fund for medical disputes	- Establishing a compensation fund for medical disputes	- Same as NDRP's	

Sources: Applied from Ministry of Health and Social Affairs (1988) *The Review on the Bill of the National Medical Insurance Act of the PPD and the Bill of the National Health Insurance Act of the RDP*, Unpublished government document, November.
Committee of Health and Social Affairs in the National Assembly of the Republic of Korea (1989) *The Public Hearing for the Proposals of Medical Insurance Acts*, Unpublished parliamentary document, February.
Reunification and Democratic Party (1988) *The Proposal of the National Health Insurance Act*, Unpublished party document, November.
The National Assembly of the Republic of Korea (1989) *The Bill of the National Medical Insurance Act*, Unpublished parliamentary document, November.

* The proposal is based on the revised bill of the National Medical Insurance Act submitted to the National Assembly in November 1989.

APPENDIX IV

Participating Members in *The Conference of People's Solidarity for the Unification and the Expansion of the Benefits of the NHI Scheme (CoPS)* (Based on the membership of 1998)

Labour:
Korean Confederation of Trade Unions (KCTU)
Korean Federation of Construction Trade Unions
Korean Federation of Public Sector Workers Unions
Korean Federation of Social Services Workers Unions
Korean Metal Workers Federation
Korean University Workers Union
Korean Federation of Tourist Workers Unions
Korean Bus Workers Union
Korean Federation of Chemical-Textile Workers Unions
Korean Federation of Taxi Drivers Unions
Korea Federation of Railway and Subway Workers Unions
Korean Federation of Hospital Workers Unions
Korean Federation of Clerical Labour Unions
Korean Federation of Press Unions
National Lecturers Union
Korean Teachers and Educational Workers Union
Korean Federation of Daily Workers Union
Korea Cargo Transport Workers Federation
Korean Federation of Chemical Workers Unions
Daewoo Group Trade Union Council
Hyundai Group Trade Union Council
National Federation of Labour Unions Organisations
National Council of Labours Organisations
Korean Council of Labour Movements

Farmers and Poverty:
National Federation of Farmers Unions (NFFU)
Korean Confederation of Farming Businessmen
National Federation of Female Farmers
Korea Institution for Farming and Fishery Society
National Federation for Farmers Organisations
National Federation of Street Vendors

Civic Groups:
Citizens' Coalition for Economic Justice (CCEJ)
People's Solidarity for Participatory Democracy (PSPD)
National Federation for Democracy and National Unification
Korean Federation of Females' Organisations

Radical Politics Federation
Peoples' Council for Unification and Democracy
National Conference of Professors for Democracy
National Federation of Buddhist Movement
Human Rights Committee in Korean Council of Christian Churches
Citizens Council in YMCA